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Canadian Pacific

Annual Report 1970

Contents

1971 Annual Meeting

The Annual General Meeting of the Shareholders is being held on Wednesday, May 5th next, at Odeon Cinema, Place du Canada, Montreal (entrance via Le Château Champlain), at eleven a.m. (daylight saving time, if operative).

Stock Transfer Agents

Bank of Montreal Trust Company,
2 Wall Street, New York

The Royal Trust Company,
1648 Hollis Street, Halifax, N.S.
1 King Street, Saint John, N.B.
630 Dorchester Boulevard West, Montreal
Toronto Dominion Centre, Toronto
287 Broadway, Winnipeg
101 McCallum Hill Building, Regina
600 - 7th Avenue S.W., Calgary
P.O. Box 2031, Vancouver

Deputy Secretary,
8 Waterloo Place, London, S.W.1, England

Stock Listings

Debenture Stock (Sterling) listed on:
London Stock Exchange

Debenture Stock (U.S. Currency) listed on:
New York Stock Exchange

Preference Stock (Sterling) listed on:
Montreal, Toronto, Vancouver and London, Eng. Stock Exchanges

Preference Stock (Canadian Dollar) listed on:
Montreal, Toronto, Vancouver and London, Eng. Stock Exchanges

Ordinary Stock listed on:
Montreal, Toronto, Vancouver, New York and London, Eng. Stock Exchanges

For more information, shareholders should write to:
T. F. Turner, Secretary,
Canadian Pacific Railway Company,
Montreal 101, Canada.

Summary of Earnings of the Company and its Subsidiaries and of Dividends Paid

	1970	Per Ordinary Share	1969	Per Ordinary Share
	(in thousands, except amounts per share)			
Earnings of the Company and its Subsidiaries				
Net railway earnings	**$38,392**		$34,635	
Other income	**18,150**		19,197	
Income before fixed charges	**56,542**		53,832	
Fixed charges	**27,804**		22,425	
Income from railway and miscellaneous sources	**28,738**	**$1.77**	31,407	$1.96
Income (being dividends received) from				
Canadian Pacific Investments Limited	**23,649**	**1.65**	22,932	1.60
Canadian Pacific Air Lines, Limited	**1,433**	**0.10**	1,433	0.10
Total, excluding earnings retained by subsidiaries and before extraordinary items	**53,820**	**3.52**	55,772	3.66
Equity in earnings retained by subsidiaries	**10,350**	**0.72**	16,858	1.17
Total before extraordinary items	**64,170**	**4.24**	72,630	4.83
Extraordinary items (C.P.R. – Nil)	**1,507**	**0.11**	3,153	0.22
Total	**$65,677**	**$4.35**	$75,783	$5.05
Dividends Paid				
On Preference stock – 4%	**$ 3,311**		$ 3,329	
On Ordinary stock				
From railway and miscellaneous sources	**$21,499**	**$1.50**	$21,499	$1.50
Flow-through from Canadian Pacific Investments Limited	**23,649**	**1.65**	22,932	1.60
Flow-through from Canadian Pacific Air Lines, Limited	**1,433**	**0.10**	1,433	0.10
	$46,581	**$3.25**	$45,864	$3.20

Earnings

1970 was a year of tight money and high interest rates, of prolonged strikes in key industries and of underlying sluggishness in Canadian and American economies alike. Although monetary and fiscal policies were eased during the year, this appears to have had little beneficial effect on 1970. Few of the expectations that had been held for the year were realized.

One of the year's bright spots was the exceptional performance of Canadian exports. Markets for fuels and minerals, wheat and other grains and some manufactured products were especially buoyant. This was an important contributing factor to the rise in rail freight revenues. A development on the export scene that was less favorable was the freeing of the Canadian dollar, which resulted in reduction of revenues from export sales. This adversely affected the metal and forest product interests of Canadian Pacific Investments Limited.

The summary of earnings of the Company and its subsidiaries on page 1 shows total earnings before extraordinary items of $64.2 million, or $4.24 per Ordinary share. These compare with 1969 earnings of $72.6 million and $4.83 per Ordinary share. Including extraordinary items, earnings per share were $4.35 in 1970 and $5.05 in 1969. Dividends on the Ordinary stock increased from $3.20 per share in 1969 to $3.25 in 1970, as a result of the higher dividend that flowed through from Canadian Pacific Investments Limited.

Net railway earnings, before fixed charges, were up 11% and earnings of both telecommunications and CP Bermuda also showed marked improvement. These gains, however, were more than offset by the results of the other shipping operations, of Smithsons Holdings, of CP Air, and Canadian Pacific Investments Limited. A detailed financial review is provided, beginning on page 9.

Grain Shipping Systems

A near-record movement of grain by CP Rail resulted from the revival in Prairie grain sales. More than 203,000 cars were handled during 1970, compared with 230,000 in the record year 1966. The block shipping system, which was developed jointly by the Wheat Board, the grain elevator companies, and the railways, is now fully implemented and has proved to be invaluable in meeting the heavy transportation demands of the present massive grain movement.

The Company is actively participating, along with other members of the grain industry, in the activities of the Grains Group Study Team. The Team is considering changes in procedures with a view to achieving maximum efficiency in grain transportation and handling.

Coal Unit Trains Inaugurated

CP Rail's advanced unit train system for moving metallurgical coal from Kaiser Resources' mine at Sparwood, B.C. to the superport at Roberts Bank for export to Japanese steel mills began operating in the Spring. The initial system will handle the present contract for movement of five million tons of coal annually to the Pacific Coast. To date CP Rail has met all its commitments, and after several months of operations its performance indicates that there is adequate capacity for carrying this traffic. The volume shipped from the Kaiser mine during the year was substantially less than had been expected, but this was due to difficulties experienced in the mining operation.

By the Spring of 1972, CP Rail will be moving, under existing contracts, ten million tons of coal annually for export to Japan. This single movement will account for something more than 5% of CP Rail's gross revenues. The CP Rail system is capable of handling in an efficient manner all coal that may be offered for transport on its lines in the foreseeable future.

Wider Markets for Canadian Coal

Canadian Pacific continues its active participation in the development of new markets for western Canada's vast resources of coal. By pioneering in the design and implementation of new transportation systems, it is helping to extend the areas where this coal can be competitive.

One potential market is eastern Canada. Last year a pilot project was undertaken involving the movement of 200,000 tons of coal from British Columbia to the Steel Company of Canada at Hamilton. Solid trains of coal were moved to Thunder Bay, Ontario, and from there the coal was transshipped by water to Hamilton. Another solid coal train movement – this time of lignite coal from Saskatchewan – was initiated to the Ontario Hydro thermal generating plant at Thunder Bay. Some 200,000 tons are expected to be delivered to that plant by April 1971.

Wide-ranging surveys of the potential markets in eastern Canada for metallurgical and thermal coal are being carried out in order that transportation systems, involving the use of Great Lakes water routes, can be designed to penetrate these markets at the earliest possible date. Similar surveys are also being carried out for potential markets in the United States. Closest co-operation is being maintained with all segments of the coal industry and government bodies, as well as with potential users of both metallurgical and thermal coal.

Further research and development work in coal slurry pipelines and in the Cascade Pipe Line project was carried on during the year by ShelPac Research and Development Ltd. The techniques involved in the grinding, transmission and recovery of the coal have all been developed and the tests are all well documented. In May 1970, a special technical mission sponsored by Cascade visited Japan and held discussions with technical officers of the Japanese steel industry, as well as with pipeline experts. In October, a group of officials of Japanese steel companies visited Canada. They inspected the proposed route of Cascade pipeline from the Kootenay area of British Columbia to the coast. They also visited the pilot facilities for reconstitution of coal and witnessed the first coke oven test using reconstituted slurry coal. A further series of discussions is planned for the spring and summer of 1971, when other considerations in the development of this transportation system will be covered.

Fording Coal Development on Schedule

The joint development with Cominco of Canadian Pacific Investments' coal property on the Fording River in south-eastern British Columbia was maintained on schedule, despite a two-month construction workers' strike in British Columbia at mid-year. Capital cost of the project is estimated at $80 million, exclusive of rail plant and rolling stock. The total value of the present 15-year sales contract with the Japanese for 45 million tons of coal is approximately $650 million. Delivery on this contract will begin in 1972.

Special care is being given to pollution control and protection of the environment on the Fording project. A closed-circuit operation which permits the recirculation of plant water, avoids any discharge of waste into the Fording River. Dust and other contaminants are controlled by filters and scrubbers in the process plant. A continuing program of reclamation and rehabilitation of the area will be carried out as mining proceeds.

Automation of Busy Calgary Yard

The growth of traffic to and from Canada's Pacific ports in recent years made it essential to automate and expand the Company's key yard at Alyth, near Calgary. Work on the $14 million project was substantially completed in 1970.

All traffic in each direction in and out of Calgary now passes through one of the most modern automated switching yards in North America. The final step to be accomplished in 1971 is the installation of a computer. The computer will not only control the routing and speed of cars into the 48 tracks of the classification yard, but will maintain at all times an up-to-the-minute inventory of the details of each car in the yard and also produce the required train consist, statistics and operational reports. A variety of automatic sensors and safety devices tied into the computer will spot every type of irregularity, from a derailment to a stalled car, and will automatically shut down operations until the fault is rectified. While most of the yard's individual features can be found in other classification yards, Alyth is the first in North America to combine all of them.

Instant Information

By combining computers and Telex, the Company made available to shippers in 1970 an instant car location service. Simply by directing a Telex inquiry from anywhere in North America to an on-line computer located in the Computer Centre in Montreal, customers can now get instant particulars of the precise location of loaded or empty freight cars on Canadian Pacific lines.

As Customer Service Centres are being extended across the system many of them are being equipped with small computers to provide for more efficient control of cars and to improve the quality of information directed to the main computer.

CP Rail Buys New Equipment

CP Rail took delivery of over 1,100 new freight cars during the year and leased some 200 more. These included specialized gondola cars for coal service, flat cars for container service, bulkhead flat cars for movement of forest products, covered hopper cars for general service, drop-bottom cars for ore traffic, and box-cars and bi-levels for automobile parts and trucks.

Railway motive power was augmented in 1970 with the delivery of 55 new diesel units, most of which were of 3,600 horsepower.

Lakeshore commuters in the Montreal area began riding in April 1970 on Canada's first double-deck passenger cars. These stainless steel air conditioned cars, costing a total of $2.8 million, are designed specifically for high-density commuter traffic.

Customer Service Centre office at London, Ont.

Tower operator in new CP Rail automated freight yard near Calgary, Alta.

Rail Marketing and Pricing Policies

The design and implementation of distribution systems for present and prospective customers is an increasingly specialized field. In order to meet needs in this area, market development sections were organized during the year at both regional and system levels. Development specialists are available to analyze existing distribution systems and propose ways to improve them. The objective is to provide a quality of service consistent with customer requirements, and at the same time increase utilization of plant and equipment and improve CP Rail's profit performance. Utilizing computer techniques, several intermodal and rail distribution systems have been developed and proposed to various industries. Some systems have been implemented and others which are now in process will get under way in 1971.

During 1970 new or expanded manufacturing, warehousing and distribution facilities, representing an investment by their owners of some $460 million, were built on or adjacent to CP Rail lines. These have an annual traffic potential of about 3½ million tons. New trackage or extensions were built to serve many of these industries.

Pricing in 1970 continued to cushion long-haul traffic from the effects of freight rate increases. The percentage increases applied to such traffic were reduced to take account of length of haul.

New CP Rail ore cars in builder's plant.

Montreal-bound commuters board Canada's first double-deck passenger cars.

Rail Passenger Services

Hearings have been held by the Canadian Transport Commission on CP Rail applications to discontinue eight of its passenger train services. To date Judgments have been rendered in three of these cases, one of which authorized and two denied discontinuance. In addition, the number of passenger trains operated in several of the services has been reduced.

In the case of "The Canadian" – the Montreal and Toronto to Vancouver service – the Commission found the service to be uneconomic but ruled that the public interest required its continuance for the time being and on a daily basis. The Commission gave notice in its Judgment that it proposed to undertake a comprehensive study for the purpose of bringing about a rationalization of the transcontinental passenger services being provided by the two major railways.

Intermodal Transportation

The further growth of international trade is being stimulated by implementation of intermodal transportation systems which encompass inland as well as intercontinental aspects of transport. Container movements lend themselves most readily to these new systems and it has been in this area that the most striking developments have taken place. Faster transit times, improved reliability, and substantially reduced exposure to loss and damage of goods in transit are characteristic of containerization service and they encourage a wider flow of goods.

At the end of 1970 the first of CP Ships' large container vessels, "CP Voyageur", made her maiden voyage from Rotterdam and Tilbury to Quebec City. This vessel will be joined by two other new ships, "CP Trader" and "CP Discoverer" in May and June of 1971. These vessels, together with "CP Ambassador" – the former "Beaveroak" – have a capability of moving some 100,000 containers per year, or about two million tons of cargo, between eastern Canada, the United Kingdom and continental Europe.

In December, the multi-million dollar container terminal at Wolfe's Cove at Quebec was officially opened. The facilities there are designed to ensure the highest efficiency of ship loading and unloading, as well as of rail and truck terminal operations. As a result of the new integrated operation, transit times between the United Kingdom and eastern Canada will shortly be reduced to 10-12 days as compared with about 42 days a year ago.

The first of the cellular container ships linking Canada, Australia and New Zealand is expected to arrive at Saint John, N.B., about mid-May. The container terminal there, which is served by CP Rail, commenced operation on an interim basis in November.

For its part in the expanding container operations, CP Rail has a fleet of 200 container flatcars, representing an investment of \$3.3 million, and an additional 200 cars costing approximately \$4.6 million are on order. CP Rail has one of the most modern fleets of container flatcars in North America. At Lachine an inland container terminal was constructed, where 420 containers can be handled at one time and a similar number can be stored. The terminal is located adjacent to both the piggyback yard and a new CP Express terminal, facilitating access to rail and truck transportation.

All of Canadian Pacific's trucking enterprises – Smith Transport, CP Transport and CP Express – are carrying increasing numbers of containers and playing a vital role in multimodal operations. A new company has been set up to handle container traffic in the mid-west United States.

CP Bermuda Fleet Grows

Two new ships joined the CP Bermuda fleet in 1970. The "W. C. Van Horne", a 58,000-ton bulk carrier, entered service in June and is engaged in carrying coal from Australia to Japan. Operation of the ship is largely automated and cargo handling is facilitated by shore-based bulk terminals. The "Port Hawkesbury", the first of two 250,000-ton super tankers entered service in July. The second, the "T. G. Shaughnessy", was delivered in January 1971. Each of these vessels has a carrying capacity equivalent to two million barrels of crude oil. Both were chartered to Gulf Oil Corporation under long-term contract.

Orders were placed for three 120,000-ton bulk carriers for delivery in 1973 and 1974, and negotiations are under way for the acquisition of other vessels.

CP Telecommunications

In November the communications switching computer was placed in service, culminating almost two years of planning and software development.

The communication needs associated with the linking of industrial and commercial branch offices to a central computer are coming to represent a major market for CP Telecommunications. The promise of future rapid growth in this area is spurring development of the Company's capabilities and expertise in this field.

The Company has subscribed for its allotted shares of the capital stock of Telesat Canada, the corporation set up to undertake long range communications activities by satellite and to be owned jointly by the Government of Canada, telecommunication companies and the general public.

CP Air to Serve Middle-East

CP Air will inaugurate a weekly service to Tel Aviv on April 1, 1971. The bi-lateral agreement between Canada and Israel was signed during the year. The schedule calls for expansion to four return flights weekly starting April 25. Eastbound, three flights originate in Toronto and serve Montreal, and one flight originates in Montreal.

Several changes of frequencies and route patterns were introduced during the year. The most notable was the addition of two daily flights in both directions across Canada during the busy summer season, bringing the total to seven in each direction. A third daily flight between San Francisco and Vancouver was added during the summer. The major change on the Canada-Hawaii route was the addition of non-stop services from Winnipeg and Edmonton. A second weekly flight between Fiji and Vancouver was inaugurated in October.

More Planes, Less Pollution

Two Boeing 727 aircraft were received by CP Air in the Spring and two more are expected to be delivered in April 1971. With these additions, the jet fleet will consist of 22 aircraft.

Reduction of pollution is the goal of two CP Air programs currently under way. By equipping the engines of Boeing 737 and 727 aircraft with modified combustion chambers, smoke emission will be virtually eliminated. The other program attacks run-up noise in testing engines by use of an engine test cell that is presently being built at the operations centre at Vancouver.

Improvement and modernization is also going ahead with the installation of inertial navigation systems on all DC-8 jet liners. The use of these sophisticated navigational aids will result in the phasing-out of all navigators in accordance with the terms of an agreement with the association representing CP Air navigators.

New CP Ships container terminal at Quebec City welcomes "CP Voyageur" on maiden voyage from Europe and the United Kingdom.

"Port Hawkesbury," first of two 250,000-ton super tankers to enter service for CP Bermuda.

Special CP Transport highway semi-trailer handles vegetable oil traffic.

Consulting Services Offered

With the formation in 1970 of Canadian Pacific Consulting Services Ltd., a broadly-based engineering and economic consulting service on an international basis is now being offered by Canadian Pacific to both governments and businesses.

In its first year the new company undertook the project management for the first phase of "Project 200" in Vancouver, advised on railway track maintenance procedures in Australia, and completed a complex economic evaluation of a major new venture for a pulp and paper company. At year end a contract was secured to undertake a materials handling study for a large steel complex, and two other contracts were outstanding. Many inquiries have been received from all over the world and there is every reason to be optimistic regarding the prospects of this new venture.

CP Hotels Operates Le Château Montebello

The lodge and certain facilities previously used by the Seigniory Club at Montebello, Quebec, were taken over by CP Hotels Limited in 1970 to be operated as a year-round hotel. The hotel is named Le Château Montebello and is now open to the public.

Panarctic Gas Find

Panarctic Oils Ltd., in which subsidiaries of Canadian Pacific Investments Limited hold shares, made its second major gas discovery during 1970. This second well, which was brought in on King Christian Island, gives indications of being Canada's largest gas discovery and, together with the previous gas discovery at Drake Point, demonstrates the potential of the Arctic islands. In January 1971 the well on King Christian Island was successfully capped after it had blown wild for several months. Completion of the current drilling program in 1971 will fulfill Panarctic's commitment under its farm-in agreements and enable that company to carry out a more flexible exploration program.

Leading Airport Ground Facility Operator

Marathon Aviation Terminals Limited, which is 50% owned by Marathon Realty Company Limited, greatly expanded its interests in the development of airport ground facilities through the acquisition last year of Wig-Mar International Investments Limited. With the addition of Wig-Mar, which owns and operates the major air cargo facilities at Toronto International Airport, Marathon Aviation Terminals became the largest in Canada in its field.

In 1970 it completed construction of two flight kitchens at Montreal International Airport and had one under construction at Toronto International Airport. One of the two flight kitchens at Montreal Airport is operated by CP Hotels Limited and the one at Toronto is also being built for the same company.

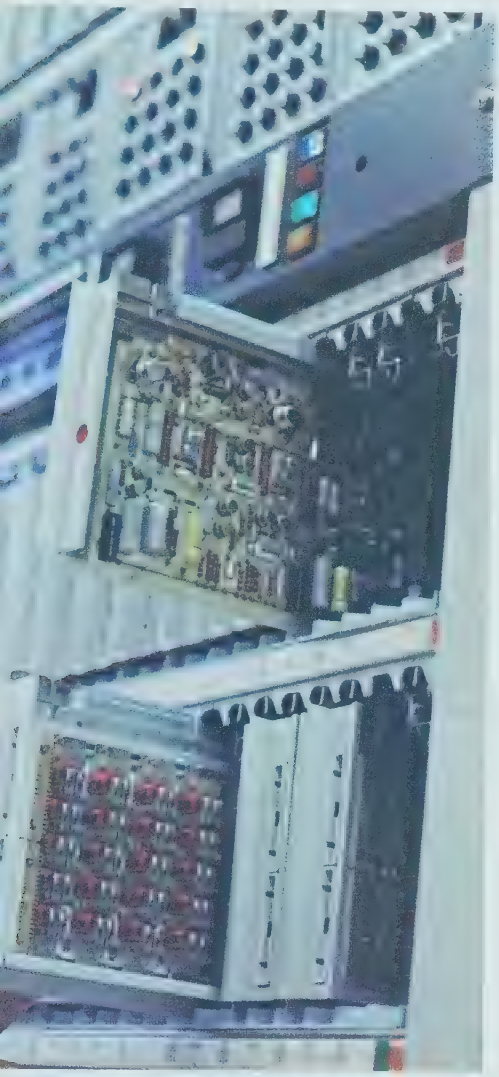
Montreal Office Building Planned

Plans are going ahead for early construction of an office building in downtown Montreal. This is part of a projected redevelopment of the Windsor Station area to be undertaken over a period of years.

CP Air jets, including newly-received three-engined Boeing 727, undergo inspection at Vancouver.

Section of newly-installed CP Telecommunications Telex switching exchange at Vancouver.

View of new CP Air Operations Centre, Vancouver.



Labor Relations

The number of employees engaged in all operations – transportation, telecommunications, hotels, resource development and other activities – averaged 59,100 in 1970 and the total payroll amounted to $445 million.

Notices were received during the year from the non-operating unions, the shopcraft unions, the locomotive engineers, and the United Transportation Union on behalf of locomotive firemen and trainmen, indicating their wish for changes in existing collective agreements. Negotiations with the shopcraft unions led to agreement on a Memorandum of Settlement providing for increases of 8% on January 1, 1971 and 7% on January 1, 1972, plus differentials for skilled mechanics of 5¢ per hour on July 1, 1971 and 5¢ per hour on July 1, 1972. The settlement, which is subject to ratification, also provided for improvements in health and welfare benefits, general holidays and annual vacations.

Negotiations are in progress with non-operating unions and with union representatives of the Company's trainmen and locomotive firemen. The various union demands include increases in wages and premium pay, improvements in fringe benefits and certain rules changes. The failure of negotiations with the Company's locomotive engineers resulted in establishment by the Federal Minister of Labor of a Board of Conciliation.

Agreements were reached during the year with groups representing certain employees of the Company's coastal and lake and river steamship services. CP Air negotiated two agreements which had expired in 1969, and negotiations on three other agreements were in progress at the year end.

Financial Review

CP Rail

Net railway earnings, at $38.4 million, were $3.8 million higher than in 1969.

Railway revenues increased $36.0 million, or 6%. Revenues included $27.4 million of Government payments, which were reduced by $5.6 million from their 1969 level in accordance with provisions of the National Transportation Act. Rail freight revenues were 8% higher than in the previous year. Major increases were in wheat, other grain, and coal, and smaller, but significant, increases were in potash, liquefied petroleum gas, and newsprint and other papers. Revenues from containers also showed growth. Shipments of copper-nickel ores were well above the 1969 level, which was depressed because of a strike in that industry. The combination of lagging consumer demand and the strike at General Motors plants in Canada and the United States accounted for a lower volume of traffic in automobiles, trucks and vehicle parts. Lumber, plywood and construction-related commodities were adversely affected not only by the level of interest rates and general economic conditions, but also by strikes in the forest industries in British Columbia and strikes of construction workers in both Quebec and British Columbia.

To offset to some extent the impact of higher wage rates and material prices and the reduction in Government payments, freight rate increases were put into effect during the year on various classes of domestic traffic. Two rate increases approved for U.S. roads were applied to traffic moving between Canada and the United States.

Railway expenses increased $32.2 million, or 6%. Greater traffic volume accounted for some of the increase, but most of it was attributable to higher wage rates and material prices.

Transportation expenses – those incurred mainly in operating trains, yards and stations – increased, but not in proportion to the increase in

traffic volume. The ratio of these expenses to railway revenues was 37.7% in 1970, an improvement over the 38.2% of 1969. Freight train performance improved significantly, with an 8% increase in gross ton miles per freight train hour. Expenses of maintaining track, roadbed, structures and equipment were higher, largely due to wage and material price increases. Depreciation rates were unchanged, but depreciation charges were up, in line with increased investment.

Telecommunications
Telecommunication operations enjoyed further expansion during the year and produced earnings before income taxes of $6.7 million compared with $5.0 million in 1969. Broadband and Telex revenues were up substantially, reflecting continued high rates of growth for both services. The downward trend in telegram message service revenue was temporarily reversed, mainly due to the labor difficulties experienced by the Canadian postal system during the year. Operating expenses rose because of higher wage and employee benefit costs and also because of higher depreciation charges.

Shipping
Shipping results were mixed. CP Bermuda made strong gains, while the loss on steamships owned by the Railway Company increased to $2.0 million, from $1.1 million in 1969. An increase in the loss on ocean passenger operations occurred in the early months of the year, before the "Empress of England" was sold.

Le Château Montebello, at Montebello, Que., opened to the public by CP Hotels as a year-round resort-conference hotel.

Mount Royal House apartment building in Marathon Realty Palliser Square development, Calgary, Alta.

Gathering line to Central-Del Rio Oils gas discovery well in the Jumping Pound area of western Alberta.

Earnings of the coastal vessels decreased owing to both lower revenues and higher operating costs. The container operations of CP Steamships Limited were adversely affected by port strikes and by late deliveries of the new container ships, which necessitated charters at high rates.

Trucking

Trucking operations in western Canada made a good recovery from a slump in the first half of the year and CP Express earnings, which are included in railway revenues as compensation for hauling express traffic, were significantly higher than in 1969. Earnings of the Smithsons group suffered from reduced activity in the automobile and related industries and from trucking strikes in the United States which interrupted traffic movements across the Canadian border.

Soo Line Railroad Company

The Soo Line increased its net income by close to 10%, which made it exceptional in the rail industry in the United States. A number of factors contributed to this result, of which the most significant were traffic gains in grain, potash, sulphur, lumber and petroleum products.

CP Air

The net income of CP Air dropped from $3.5 million in 1969 to $1.0 million in 1970. This erosion of earnings occurred despite increased revenues; it is a specific instance of the major problems confronting the entire industry – rapidly escalating costs and continued dilution of yields per passenger mile. Another factor that affected the comparison with 1969 was that considerable additional revenues were obtained in 1969 as a result of strikes which shut down two competing airlines.

CP Air's international passenger revenue continued to grow, but at a lower rate than in the previous year. Traffic on the Orient services showed a marked increase, reflecting travel to Expo '70 in Japan. Revenue on the Mexico-South America routes increased significantly, and developing interest in the South Pacific as a tourist destination contributed to the higher revenues recorded for the Hawaii-South Pacific run. On the North Atlantic, traffic increased by nearly one-third but revenues increased to a lesser extent as a result of low promotional fares which decreased over-all passenger yields. Traffic on the Polar route suffered from diversion of traffic from scheduled services to charter operators. Growth of the western Canada-California service continued to exceed expectations. A third daily flight was introduced during the year.

Much of the increase of $21 million, or 17%, in CP Air's operating expenses was directly attributable to the expansion of operations, but there were continued substantial increases in wage costs and in the costs of services and materials purchased. Salaries, wages and employee benefits reached $51.5 million in 1970, an increase of 21% over the 1969 total of $42.5 million.

Canadian Pacific Investments Limited

This company had consolidated income before extraordinary items of $37.8 million, compared with $41.0 million in 1969. The sharp decline in the demand for forest products which commenced in mid-1969 continued throughout 1970 and log and lumber prices continued to be depressed. As a result, earnings from timberlands and facilities were down $1.4 million from 1969. Prolonged labor disputes in various branches of the forest industry aggravated the marketing problem.

The company's equity in income of Cominco Ltd. and other subsidiaries not consolidated declined by $717,000 from 1969. Cominco's earnings before extraordinary items were adversely affected by increased labor and services costs, the appreciation of the value of the Canadian dollar in relation to foreign currencies and successive reductions in metal prices after mid-1970. Another significant factor was the condition of overcapacity and unsatisfactory price levels in the Canadian fertilizer market.

Real estate earnings were $476,000 lower, reflecting principally the lagging economy and the higher cost of money. Net income from oil, gas and other minerals was down $328,000 and Investment income was $225,000 lower. Income from hotels and restaurants held at the 1969 level.

New Financing

Canadian Pacific Railway Company borrowed $30 million from three Canadian chartered banks during the year. In December, an Export-Import Bank loan of $4.9 million in U.S. funds was transferred from CP Air to the Company in respect of the purchase of two Boeing 727 aircraft from CP Air.

In addition, the Company borrowed $25 million on a demand basis from Canadian Pacific Securities Limited, and operating loans were negotiated with two Canadian chartered banks under which varying amounts were borrowed for short periods.

At year end Long Term Debt totalled $219.8 million, an increase of $12.2 million over the amount outstanding at December 31, 1969.

As a result of the additional borrowings of 1969 as well as of 1970, and of higher interest rates, fixed charges for the year were $5.4 million higher.

During December arrangements were completed for the issuance of $70 million Collateral Trust Bonds dated February 1, 1971, of which $20 million were six year bonds at 8¼%, and $50 million were twenty-one year bonds, at 8⅞%.

Stock Holdings

The number of registered holdings of the capital stock of the Company at December 31, 1970 was 69,279.

The distribution by countries of total voting rights of the Ordinary and Preference stocks at that date was as follows:

Canada	65.28%
United States	15.28
United Kingdom and other British	12.70
Other countries	6.74
	100.00%

Directorate

In April 1970 the Directors received, with regret, the resignation of Mr. Geo. H. Baillie, who retired from the Board pursuant to his retirement from active service as Chairman, Metro Centre Developments Ltd., Toronto.

Mr. C. A. Fielding was appointed a Director of the Company succeeding Mr. Baillie.

It is with deep regret that the Directors record the loss by death, in November 1970, of Mr. M. B. Steinkopf, M.B.E., S.M., Q.C. He had been a Director since February 11, 1970.

Mr. H. J. Lang was appointed a Director to succeed Mr. Steinkopf.

Customers and Staff

The Directors wish to thank all customers of the varied services and products offered by the Company and its subsidiaries. The Directors also gratefully acknowledge the contribution made by officers and employees to the progress of the Company.

For the Directors,

President and Chief Executive Officer

Chairman of the Company

Montreal, March 8, 1971

Canadian Pacific Railway Company

Board of Directors and Officers

Directors

*W. A. Arbuckle, *Chairman of the Canadian Board,*
The Standard Life Assurance Company, Montreal

G. Maxwell Bell, *Chairman,*
"F. P." Publications Limited, Calgary

W. J. Bennett, OBE, *President,*
Iron Ore Company of Canada, Montreal

Sir George Bolton, KCMG, *President,*
Bank of London & South America Limited, London, England

*George W. Bourke, *Chairman of the Executive Committee,*
Sun Life Assurance Company of Canada, Montreal

Cyril F. H. Carson, QC, *Partner,*
Tilley, Carson & Findlay, Toronto

The Honourable J. V. Clyne,
Chairman of the Board and Chief Executive Officer,
MacMillan Bloedel Limited, Vancouver

*N. R. Crump, *Chairman of the Company,*
Canadian Pacific Railway Company, Montreal

C. A. Fielding, *Chairman of the Board,*
Alexander Centre Industries Limited, Sudbury

*S. M. Gossage, *Vice-President,*
Canadian Pacific Railway Company, Montreal

G. Arnold Hart, MBE, *Chairman and Chief Executive Officer,*
Bank of Montreal, Montreal

Allard Jiskoot, *Partner,*
Pierson, Heldring & Pierson, Amsterdam, The Netherlands

David Kinnear, *Chairman of the Board,*
The T. Eaton Co. Limited, Toronto

H. J. Lang, *Chairman, President and Chief Executive Officer,*
Canron Limited, Montreal

*Herbert H. Lank, *Director,*
Du Pont of Canada Limited, Montreal

W. Earle McLaughlin, *Chairman and President,*
The Royal Bank of Canada, Montreal

Claude Pratte, QC, *President,*
Pratte and Côté Inc., Quebec City

Lucien G. Rolland, *President and General Manager,*
Rolland Paper Company, Limited, Montreal

A. M. Runciman, *President,*
United Grain Growers Limited, Winnipeg

*Ian D. Sinclair, *President and Chief Executive Officer,*
Canadian Pacific Railway Company, Montreal

*H. Greville Smith, CBE, *President,*
Canadian International Investment Trust Limited, Montreal

Harold M. Turner, *Chairman of the Board,*
The Mutual Life Assurance Company of Canada, Toronto

Norman E. Whitmore, *President,*
Wascana Investments Limited, Regina

Henry S. Wingate, *Chairman of the Board and Chief Officer,*
The International Nickel Company of Canada, Limited

*Member of Executive Committee

Officers

N. R. Crump,
Chairman of the Company, Montreal
Ian D. Sinclair,
President and Chief Executive Officer, Montreal
S. M. Gossage,
Vice-President of the Company, Montreal

Corporate Services

K. Campbell,
Vice-President Administration, Montreal
F. A. Rutherford,
Vice-President and Comptroller, Montreal
G. J. van den Berg,
Vice-President, Finance, Montreal
J. A. Wright, QC,
Vice-President, Law, Montreal

D. E. Sloan,
Treasurer, Montreal
T. F. Turner,
Secretary, Montreal

CP Rail

S. M. Gossage,
Vice-President and Senior Executive Officer, Montreal
J. C. Anderson,
Vice-President, Industrial Relations, Montreal
J. M. Bentham,
Vice-President, Purchases and Stores, Montreal
F. S. Burbidge,
Vice-President Marketing and Sales, Montreal
D. M. Dunlop,
Vice-President, Operation and Maintenance, Montreal
P. A. Nepveu,
Vice-President Accounts and Data Systems, Montreal

J. N. Fraine,
Senior Regional Vice-President, Pacific Region, Vancouver
R. S. Allison,
Vice-President, Prairie Region, Winnipeg
G. E. Benoit,
Vice-President, Atlantic Region, Montreal
L. R. Smith,
Vice-President, Eastern Region, Toronto

Transport and Ships

W. J. Stenason,
Vice-President Transport and Ships, Montreal

Financial Statements 1970

Statement of Income for the year ended December 31

	1970	1969 (in thousands)
Income from Railway and Miscellaneous Sources		
Railway revenues (Note 3)	**$616,020**	$580,018
Railway expenses	**557,228**	526,283
Income taxes (Note 4)	**20,400**	19,100
	577,628	545,383
Net railway earnings	**38,392**	34,635
Other income before income taxes (Note 5)	**23,818**	25,967
Income taxes (Note 4)	**5,668**	6,770
Other income	**18,150**	19,197
Income before fixed charges	**56,542**	53,832
Fixed charges		
Interest and amortization of discount on long term debt and debenture stock	**21,429**	18,149
Other interest	**3,112**	886
Rent for leased roads	**3,263**	3,390
	27,804	22,425
Income from Railway and Miscellaneous Sources	**28,738**	31,407
Income (being dividends received) from		
Canadian Pacific Investments Limited	**23,649**	22,932
Canadian Pacific Air Lines, Limited	**1,433**	1,433
Income for the Year	**$ 53,820**	$ 55,772

Statement of Dividends Paid

	1970	1969
On Preference stock – 4%	**$ 3,311**	$ 3,329
On Ordinary stock		
From railway and miscellaneous sources (Per share – 1970 – $1.50; 1969 – $1.50)	**21,499**	21,499
Flow-through of dividends from		
Canadian Pacific Investments Limited (Per share – 1970 – $1.65; 1969 – $1.60)	**23,649**	22,932
Canadian Pacific Air Lines, Limited (Per share – 1970 – $0.10; 1969 – $0.10)	**1,433**	1,433
Total Ordinary (Per share – 1970 – $3.25; 1969 – $3.20)	**46,581**	45,864
Total Dividends	**$ 49,892**	$ 49,193

See Notes to Financial Statements

Statement of Retained Income for the year ended December 31

	1970	1969 (in thousands)
Balance, January 1	**$758,751**	$740,921
Add:		
Income for the year	**53,820**	55,772
Net proceeds from sale of Esquimalt and Nanaimo Railway Company timberlands to Pacific Logging Company Limited, a subsidiary of Canadian Pacific Investments Limited	**—**	11,251
	812,571	807,944
Deduct:		
Dividends		
Preference stock	**3,311**	3,329
Ordinary stock	**46,581**	45,864
	49,892	49,193
Balance, December 31	**$762,679**	$758,751

Statement of Source and Application of Funds for the year ended December 31

	1970	1969 (in thousands)
Source of Funds		
Income for the year	**$ 53,820**	$ 55,772
Depreciation	**74,222**	73,431
Deferred income taxes	**6,700**	4,900
Provision for impairment of investments	**2,044**	(1,604)
Funds from operations	**136,786**	132,499
Sales of investments	**5,086**	1,390
Deposits	**9,139**	(10,147)
Salvage from retired property	**15,628**	8,287
Property transfers to subsidiaries	**5,035**	20,873
Issuance of long term debt	**35,248**	83,075
Sundries (net)	**5,903**	(1,756)
Decrease in working capital	**24,838**	(33,921)
	$237,663	$200,300
Application of Funds		
Purchase of investments	**$ 41,187**	$ 18,774
Reduction in long term debt	**23,070**	17,442
Additions to properties	**117,293**	111,727
Dividends declared	**49,892**	49,193
Deferred aircraft lease payments	**6,221**	3,164
	$237,663	$200,300

See Notes to Financial Statements

Balance Sheet, December 31

	1970	1969 (in thousands)
Assets		
Current Assets		
Cash and temporary investments, at cost (approximates market)	**$ 47,334**	$ 43,237
Dividend receivable from Canadian Pacific Investments Limited	**12,165**	11,466
Accounts receivable	**109,860**	106,964
Material and supplies, at cost or less	**45,726**	41,981
	215,085	203,648
Other Assets		
Deposits	**5,648**	14,787
Unamortized discount on long term debt	**1,859**	2,066
Other deferred charges	**16,757**	15,995
Deferred aircraft lease payments (Note 8)	**65,750**	59,529
	90,014	92,377
Insurance Fund, at cost (approximate market 1970 – $5,732,000; 1969 – $4,981,000)	**6,635**	6,445
Investments (Note 1)		
Subsidiary companies		
Canadian Pacific Investments Limited	**321,606**	321,606
Canadian Pacific Air Lines, Limited	**30,000**	22,750
Other subsidiary companies (including advances 1970 – $7,020,000; 1969 – $1,176,000) (Note 6)	**163,004**	133,413
Other investments (Note 7)	**38,374**	41,158
	552,984	518,927
Properties, at cost (Note 8)		
Railway	**2,401,941**	2,344,248
Telecommunications	**131,311**	131,062
Steamships	**50,093**	64,302
Hotels	**25,509**	26,246
Other	**10,808**	17,817
	2,619,662	2,583,675
Less: Accumulated depreciation	**1,221,823**	1,205,457
	1,397,839	1,378,218
	$2,262,557	$2,199,615

See Notes to Financial Statements

Auditors' Report to the Shareholders of Canadian Pacific Railway Company

We have examined the balance sheet of Canadian Pacific Railway Company as at December 31, 1970 and the statements of income, retained income and source and application of funds for the year then ended (as shown on pages 14 to 21 inclusive). Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.,
Chartered Accountants

Montreal, March 5, 1971

	1970	1969 (in thousands)
Liabilities		
Current Liabilities		
Accounts payable and wages accrued	**$ 85,255**	$ 84,564
Deposits by affiliated companies (net)	**15,189**	1,136
Demand loan from Canadian Pacific Securities Limited	**25,000**	—
Bank loans	**1,000**	—
Income and other taxes payable	**1,685**	223
Dividends payable	**25,921**	25,169
Long term debt due within one year	**16,786**	13,442
Other current liabilities	**42,611**	52,638
	213,447	177,172
Deferred Liabilities	**11,665**	9,849
Insurance Reserve	**6,635**	6,445
Long Term Debt (Note 9)	**219,757**	207,579
Perpetual 4% Consolidated Debenture Stock (Note 10)	**292,549**	292,549
Deferred Income Taxes	**137,900**	131,200
Shareholders' Equity		
Preference stock – 4% non-cumulative		
Authorized — an amount not exceeding one-half the aggregate amount of Ordinary stock outstanding		
Issued — £3,271,505 in amounts of £1 and multiples thereof	**15,921**	15,921
$74,795,916 in amounts of $3 and multiples thereof	**74,796**	74,796
	90,717	90,717
Ordinary stock		
Authorized — 20,000,000 shares of a par value of $25 each		
Issued — 14,332,456 shares	**358,311**	358,311
Premium on stock	**85,069**	85,069
Donations and grants	**83,828**	81,973
Retained income	**762,679**	758,751
	1,380,604	1,374,821
	$2,262,557	$2,199,615

F. A. Rutherford, Vice-President and Comptroller

Notes to Financial Statements

Note 1
Investments

Owing to the statutory regulation of a substantial portion of its interests, the Company considers that consolidation is not appropriate and that financial information on its major subsidiaries can best be provided by furnishing their financial statements. Accordingly, financial statements of Canadian Pacific Investments Limited, in which the Company held 99.82% of the common shares (90.83% of total voting shares) at December 31, 1970 (99.84% and 90.84% respectively at December 31, 1969) and of Canadian Pacific Air Lines, Limited, which is wholly-owned, are presented on pages 29 to 36 and 23 to 28 respectively.

It is the practice of the Company to carry investments in subsidiary and 50% owned companies at cost less provision for impairment in respect of companies with deficits. Profits are reflected in income only to the extent of dividends received or of reductions of previous provisions for impairment. Other investments are carried at cost.

The Company's equity in the net income of all subsidiaries for 1970 was $42,406,000 (1969 – $51,286,000). The income statement of the Company included $30,549,000 (1969 – $31,275,000) from subsidiaries. Its equity in the retained earnings of subsidiaries at December 31, 1970, since date of acquisition, is $190,826,000 (1969 – $180,916,000).

Earnings per share, before inclusion of equity in earnings of subsidiaries, amounted to $3.52 in 1970 and $3.66 in 1969. Assuming full dilution of the Company's interest in Canadian Pacific Investments Limited through conversion of preferred shares and exercise of warrants, earnings per share, including equity in earnings retained by subsidiaries, would be $4.11 before extraordinary items and $4.20 in total for 1970. In calculating such earnings, a return of prime bank rate on the proceeds of the exercise of warrants has been assumed.

Note 2
Foreign Exchange

Items in foreign currencies have been translated into Canadian dollars at current rates, except for properties and related depreciation, investments, long term debt and debenture and capital stocks, for which historical rates have been used. Long term debt in U.S. dollars has been translated at the rate of Can. $1.00 to U.S. $.925, being the rate in effect prior to the freeing of the Canadian dollar on May 31, 1970 which has been used by the Company in recent years. The historical rates used for debenture and capital stocks are Can. $4.86⅔ to the £1 and par of exchange in the case of U.S. dollars. Gains or losses on exchange translation are included in or charged to other income.

Note 3
Railway Revenues

	1970	1969
		(in thousands)
Freight revenue	**$544,806**	$504,362
Passenger services	**19,756**	21,869
Express	**5,546**	2,031
Other	**18,494**	18,693
Government payments	**27,418**	33,063
	$616,020	$580,018

Note 4
Income Taxes

The provision for income taxes reflected in income, in the total amount of $26,068,000 (1969 – $25,870,000), includes $6,700,000 (1969 – $4,900,000) in respect of deferred income taxes. The Esquimalt and Nanaimo Railway Company, a wholly-owned subsidiary, has received a re-assessment under the Logging Tax Act of British Columbia. The claim, for which no provision is reflected in the accompanying financial statements, is for approximately $4,000,000 and the reassessment is being contested.

Note 5
Other Income

	1970	1969
	(in thousands)	
Net earnings from telecommunications	**$ 6,707**	$ 5,013
Net earnings from steamships	**(1,985)**	(1,138)
Income from miscellaneous sources	**3,687**	4,342
	8,409	8,217
Income from subsidiary companies excluding Canadian Pacific Investments Limited and Canadian Pacific Air Lines, Limited		
Dividends	**7,495**	5,306
Adjustment of provision for impairment of investments	**(2,028)**	1,604
	5,467	6,910
Interest	**890**	903
	6,357	7,813
Income from other investments	**9,052**	9,937
Other income before income taxes	**23,818**	25,967
Income taxes	**5,668**	6,770
Other income	**$18,150**	$19,197

Note 6
Investments –
Other Subsidiary Companies

	Cost — less provision for impairment (in thousands)	Percentage of voting power
Canadian Pacific (Bermuda) Limited	$ 69,742	100
Canadian Pacific Express Company	10,130	100
Canadian Pacific Steamships, Limited	4,557	100
Canadian Pacific Transport Company, Limited	6,000	100
Smith Transport, Limited	12,000	100
Smithsons Holdings Limited	14,435	100
Soo Line Railroad Company	43,046	56
Miscellaneous	3,094	
	$163,004	

Note 7
Other Investments

	Cost — less provision for impairment (in thousands)	Percentage of voting power
Northern Alberta Railways Company	$25,340	50
The Toronto, Hamilton and Buffalo Railway Company	512	27
The Toronto Terminals Railway Company	10,025	50
	35,877	
Deferred payments and mortgages on properties	386	
Miscellaneous	2,111	
	$38,374	

Note 8
Properties

Depreciation charged to income amounted to $74,222,000 in 1970 (1969 – $73,431,000) and was calculated on the straight-line basis at rates based upon the estimated service lives of depreciable property. For railway property, the rates used are as authorized by the Canadian Transport Commission.

Eleven DC-8 aircraft and related equipment leased, with an option to purchase, to Canadian Pacific Air Lines, Limited, are recorded in the balance sheet as deferred aircraft lease payments with the amount due in 1971 as current assets. The excess of the option price over the residual value of the aircraft is included with deferred liabilities until such time as the options to purchase are exercised. During the year two Boeing 727 aircraft, which were purchased by Canadian Pacific Air Lines, Limited, were purchased by the Company and leased back. These aircraft have been treated in the same manner as the DC-8 aircraft in the financial statements.

Note 9
Long Term Debt

	Rate	Year of issue	Year of maturity	Principal outstanding 1970	1969 (in thousands)
Collateral Trust Bonds (a)					
Convertible twenty year (b)	3⅛ %	1950	1970	**$ —**	$ 363
Eighteen year	3¾ %	1954	1972	**18,868**	18,868
Thirty year (c)	3½ %	1944	1974	**7,624**	7,695
Twenty-five year	5 %	1958	1983	**37,401**	37,401
Twenty year (d)	8¾-8½ %	1969	1989	**25,000**	25,000
				88,893	89,327
Equipment Trust Certificates (c)					
Series "P"	5 %	1966	1972-81	**17,848**	19,816
Series "R"	6⅜ %	1967	1982	**19,592**	21,726
Series "S"	6.9 %	1968	1983	**17,142**	18,752
Series "T"	8¼ %	1969	1984	**27,820**	32,400
				82,402	92,694
Term bank loan	7 %	1967	1973	**10,000**	14,000
Term bank loans	Prime + ½ %	1969	1974	**20,000**	25,000
Term bank loans	Prime + 1 %	1970	1975	**30,000**	—
				60,000	39,000
Promissory note (c)	6 %	1970	1976	**5,248**	—
				236,543	221,021
Less: Maturities and sinking fund requirements included in current liabilities				**16,786**	13,442
				$219,757	$207,579

Annual maturities and sinking fund requirements for each of the five years following December 31, 1970 are as follows:

	(in thousands)
1971	$16,786
1972	40,965
1973	20,888
1974	27,261 (e)
1975	15,387

(a) Secured by pledge of Perpetual 4% Consolidated Debenture Stock aggregating, in principal amount, $125,360,000 at December 31, 1970 (1969 – $125,796,000).
(b) Conversion privilege terminated.
(c) Issued in U.S. funds prior to May 31, 1970; principal outstanding expressed as Canadian equivalent (Note 2).
(d) Subject to prepayment on November 1, 1974 at the holder's option. Subject thereafter to an annual mandatory sinking fund, commencing May 1, 1975, of 3% of the principal amount outstanding at November 1, 1974, with an annual optional non-cumulative sinking fund of an additional 3%.
(e) Excluding the $25,000,000 Twenty Year Collateral Trust Bonds, subject to prepayment in 1974 at the holder's option.

Note 10
Perpetual 4%
Consolidated Debenture Stock

	Sterling	United States currency	Canadian currency	Total (in thousands)
Issued	£46,757	$72,838	$117,522	$417,909
Less: Pledged as collateral	—	7,838	117,522	125,360
	£46,757	$65,000	$ —	$292,549

Note 11
Pension Plan

The question as to the application of the Pension Benefits Standards Act (Canada) to the Company's pension plan has now been settled in principle. Under this settlement the application of the Act to the plan will be recognized and the plan funded in accordance with prescribed standards. While final funding requirements have not yet been determined, the Company's actuaries do not anticipate that net income will be significantly affected.

Note 12
Contingent Liabilities and Commitments

The Company is contingently liable to purchase promissory notes of Canadian Pacific Air Lines, Limited in the amount of U.S. $9,675,000 held by the Export-Import Bank of the United States.

The Company is contingently liable under guarantees of bank loans in the amounts of £3,160,000 and $1,700,000.

The Company had placed orders or was otherwise committed to capital expenditures in the amount of $58,746,000 at December 31, 1970 (1969 – $87,175,000).

Annual commitments for rent for leased roads amounted to approximately $3,300,000 at December 31, 1970 (1969 – $3,400,000).

Commitments for rent for freight cars leased for varying periods through to 1986 amounted to approximately $40,900,000 at December 31, 1970 (1969 – through to 1984, $48,700,000).

Note 13
Subsequent Financing

On February 1, 1971, the Company sold $70,000,000 Collateral Trust Bonds, of which $20,000,000 were six year bonds at 8¼%, and $50,000,000 were twenty-one year bonds at 8⅞%.

Five-year summary	1966	1967	1968	1969	**1970**
	Figures in millions, except amounts per share				
Railway revenues	$553.8	$560.7	$562.3	$580.0	**$616.0**
Net railway earnings	50.2	39.6	41.3	34.6	**38.4**
Other income	17.9	11.9	23.4	19.2	**18.2**
Fixed charges	20.0	18.6	21.9	22.4	**27.8**
Income from railway and miscellaneous sources	48.1	32.9	42.8	31.4	**28.8**
Income (being dividends received) from					
Canadian Pacific Investments Limited	20.1	20.1	21.5	23.0	**23.6**
Canadian Pacific Air Lines, Limited	—	4.1	1.6	1.4	**1.4**
Income before extraordinary items	68.2	57.1	65.9	55.8	**53.8**
Extraordinary items	—	2.9	(8.1)	—	**—**
Income for the Year	68.2	60.0	57.8	55.8	**53.8**
Dividends Paid					
On Preference stock – 4%	$ 3.4	$ 3.4	$ 3.3	$ 3.3	**$ 3.3**
On Ordinary stock					
From railway and miscellaneous sources	$ 21.5	$ 21.5	$ 21.5	$ 21.5	**$ 21.5**
Flow-through from Canadian Pacific Investments Limited	20.1	20.1	21.5	23.0	**23.6**
Flow-through from Canadian Pacific Air Lines, Limited	—	—	—	1.4	**1.4**
Total Ordinary	$ 41.6	$ 41.6	$ 43.0	$ 45.9	**$ 46.5**
Per Ordinary share					
From railway and miscellaneous sources	$ 1.50	$ 1.50	$ 1.50	$ 1.50	**$ 1.50**
Flow-through from Canadian Pacific Investments Limited	1.40	1.40	1.50	1.60	**1.65**
Flow-through from Canadian Pacific Air Lines, Limited	—	—	—	0.10	**0.10**
	$ 2.90	$ 2.90	$ 3.00	$ 3.20	**$ 3.25**

Canadian Pacific Air Lines, Limited

Board of Directors and Officers

Directors

Charles R. Bronfman,
President,
The House of Seagram Ltd., Montreal

N. R. Crump,
Chairman of the Company,
Canadian Pacific Railway Company, Montreal

John C. Gilmer,
President and Chief Executive Officer,
Canadian Pacific Air Lines, Limited, Vancouver

John B. Hamilton, Q.C.,
Senior Partner,
Hamilton, Torrance, Stinson, Campbell, Nobbs and Woods, Toronto

Allard Jiskoot,
Partner,
Pierson, Heldring & Pierson, Amsterdam, The Netherlands

The Hon. E. C. Manning,
President,
M and M Systems Research Ltd., Edmonton

Hugh A. Martin,
President,
Western Construction & Engineering Research Ltd., Vancouver

Jean P. W. Ostiguy,
President,
Morgan, Ostiguy & Hudon, Inc., Montreal

George E. Sharpe,
President,
Sharpe's Limited, Winnipég

Ian D. Sinclair,
President and Chief Executive Officer,
Canadian Pacific Railway Company, Montreal

Officers

Ian D. Sinclair,
Chairman

John C. Gilmer,
President and Chief Executive Officer

H. D. Cameron,
Vice-President, International Affairs

I. A. Gray,
Vice-President, Administration

G. E. Manning,
Vice-President, Customer Service

C. F. O'Brien,
Vice-President and Comptroller

R. B. Phillips,
Vice-President, Operations

H. B. Renwick,
Vice-President, Marketing and Sales

J. W. H. Crawford,
Treasurer

T. F. Turner,
Secretary

Executive Offices,
1281 West Georgia Street,
Vancouver 105, Canada

Financial Statements 1970

Statement of Income
for the year ended December 31

	1970	1969
		(in thousands)
Operating Revenues		
Passenger	**$121,560**	$107,314
Cargo	**10,940**	10,804
Mail	**7,720**	7,360
Charter	**6,596**	6,102
Other	**2,767**	2,137
	149,583	133,717
Operating Expenses		
Flying operations	**34,919**	31,170
Maintenance	**18,954**	14,398
Passenger service	**17,802**	15,143
Aircraft and traffic servicing	**18,669**	15,639
Sales and promotion	**28,517**	26,153
General and administrative	**8,885**	7,249
Depreciation	**15,286**	12,288
	143,032	122,040
Net Operating Income	**6,551**	11,677
Non-operating Income (Expense)		
Investment income (Note 3)	**1,918**	483
Interest on demand loan	**(1,421)**	(369)
Interest on long term debt	**(4,994)**	(5,044)
Gain on disposal of properties	**10**	438
	2,064	7,185
Provision for deferred income taxes	**1,061**	3,690
Net Income	**$ 1,003**	$ 3,495

See Notes to Financial Statements

Statement of Retained Income
for the year ended December 31

	1970	1969
		(in thousands)
Balance, January 1	**$ 3,600**	$ 1,538
Add:		
Net income for the year	**1,003**	3,495
	4,603	5,033
Deduct:		
Dividends		
Preference shares	**500**	487
Ordinary shares	**933**	946
	1,433	1,433
Balance, December 31	**$ 3,170**	$ 3,600

Statement of Source and Application of Funds
for the year ended December 31

	1970	1969
		(in thousands)
Source of Funds		
Net income	**$ 1,003**	$ 3,495
Depreciation	**15,286**	12,288
Deferred income taxes	**1,061**	3,690
Funds from operations	**17,350**	19,473
Proceeds from disposal of properties (net)	**193**	781
Proceeds from issue of capital stock	**7,250**	—
Proceeds from long term borrowings	**16,638**	12,172
Other (net)	**223**	—
	$41,654	$32,426
Application of Funds		
Deposits on aircraft purchases	**$ —**	$ 3,947
Additions to properties	**18,254**	33,800
Reduction of long term debt	**10,417**	10,910
Dividends	**1,433**	1,433
Increase in working capital	**11,550**	(17,664)
	$41,654	$32,426

See Notes to Financial Statements

Balance Sheet, December 31

	1970	1969
		(in thousands)
Assets		
Current Assets		
Cash	**$ 1,767**	$ 2,029
Deposits with Canadian Pacific Railway Company	**13,887**	—
Accounts receivable	**13,968**	11,804
Material and supplies, at average cost	**6,450**	4,574
Prepaid expenses	**629**	592
	36,701	18,999
Other Assets		
Deposits on aircraft purchases	**—**	4,110
Agreements for sale and sundry investments	**846**	1,032
	846	5,142
Properties, at cost		
Land, buildings and improvements	**26,423**	23,571
Aircraft and related support equipment (Note 5)	**171,512**	152,548
	197,935	176,119
Less: Accumulated depreciation	**58,844**	43,912
	139,091	132,207
	$176,638	$156,348

Approved on behalf of the Board:
J. C. Gilmer, Director
Ian D. Sinclair, Director

See Notes to Financial Statements

	1970	1969
		(in thousands)
Liabilities		
Current Liabilities		
Accounts payable and accrued charges	**$ 22,342**	$ 25,767
Accounts payable to affiliated companies	**878**	3,630
Demand loan from Canadian Pacific Securities Limited	**18,000**	6,500
Unearned transportation revenue	**6,941**	7,007
Current portion of long term debt	**9,488**	8,593
	57,649	51,497
Long Term Debt (Notes 1 and 5)	**76,209**	69,988
Deferred Income Taxes	**9,610**	8,513
Shareholders' Equity		
Capital Stock (Note 2)		
5% Cumulative Redeemable Preference shares of $5 par value		
Authorized — 2,000,000 shares		
Issued — 2,000,000 (1969 – 1,950,000) shares	**10,000**	9,750
Ordinary shares of no par value		
Authorized — 4,000,000 shares		
Issued — 4,000,000 (1969 – 2,600,000) shares	**20,000**	13,000
	30,000	22,750
Retained Income	**3,170**	3,600
	33,170	26,350
	$176,638	$156,348

Auditors' Report to the Shareholders of Canadian Pacific Air Lines, Limited

We have examined the balance sheet of Canadian Pacific Air Lines, Limited as at December 31, 1970 and the statements of income, retained income and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.,
Chartered Accountants.
February 26, 1971,
Vancouver, Canada.

Notes to Financial Statements

1. *Long Term Debt* – Long term debt consists of the following:

	1970	1969
a) A 6% loan from the Export-Import Bank of the United States, repayable semi-annually in equal instalments between December 15, 1972 and December 15, 1975 (U.S. $9,675,000)	**$10,459,000**	$10,459,000
b) Aircraft lease obligations (Note 5)	**65,750,000**	59,529,000
	$76,209,000	$69,988,000

Repayments on long term debt (including aircraft lease obligations) during each of the next five years are approximately as follows: 1971 – $9,488,000; 1972 – $10,687,000; 1973 – $12,181,000; 1974 – $12,181,000; 1975 – $9,700,000.

2. *Capital Stock* – On April 1, 1970, additional capital stock was issued to Canadian Pacific Railway Company for cash as follows:

50,000	cumulative redeemable preference shares of $5 par value	$ 250,000
1,400,000	ordinary shares of no par value	7,000,000
		$7,250,000

3. *Investment Income* – Investment income includes interest totalling $1,410,000 (1969 – $179,000) earned on deposits with Canadian Pacific Railway Company.

4. *Contingent Liability* – Notes discounted with banks, in respect of tickets purchased under the time payment plan total $4,587,000 (1969 – $4,947,000).

5. *Commitments* – Commitments in respect of inertial navigation systems, support equipment for new aircraft, and construction of engine testing facilities totalled approximately $4,000,000 at the year end.

Commencing in 1971, the Company has agreed to pay approximately $930,000 in separation allowances to navigators who are displaced through the installation of inertial navigation systems on DC-8 aircraft.

Eleven DC-8 aircraft and related equipment which are leased by the Company from Canadian Pacific Railway Company are treated for financial statement purposes as though they are owned. The present value of lease obligations which are payable within one year has been included with current liabilities, and the remainder shown as long term debt. During the year, two Boeing 727 aircraft which were purchased by the Company, were sold to Canadian Pacific Railway Company for $14,662,000 and leased back. These leased aircraft have also been capitalized in the accounts.

In April 1971 two additional Boeing 727 aircraft will be leased from Canadian Pacific Railway Company. The aggregate of the rentals payable, excluding interest, will be approximately $13,800,000.

6. *Remuneration of Directors and Officers* – Total remuneration of the Company's ten directors in their capacity as directors amounted to $14,000 (1969 – $14,000). The ten officers, two of whom are also directors, received remuneration in the aggregate amount of $272,000 (1969 – $256,000).

7. *Restatement of Comparative Figures* – Figures for 1969 have been restated where necessary to conform with the presentation adopted for 1970.

Five-year Summary

Figures in thousands, except cents and percentages

	1966	1967	1968	1969	**1970**
Operating revenues	$ 82,638	$ 95,225	$106,698	$133,717	**$149,583**
Net operating income	9,762	5,875	7,927	11,677	**6,551**
Net income	7,425	3,394	2,375	3,495	**1,003**
Passengers carried	739	886	1,036	1,277	**1,437**
Revenue passenger miles	1,280,008	1,492,093	1,651,908	2,218,463	**2,601,195**
Passenger load factor	57.4%	56.6%	50.4%	52.8%	**54.3%**
Revenue per passenger mile — scheduled services	5.49¢	5.38¢	5.41¢	5.41¢	**5.13¢**

Canadian Pacific Investments Limited

Board of Directors and Officers

Directors

*W. A. Arbuckle,
Chairman of the Canadian Board,
The Standard Life Assurance Company, Montreal

*A. M. Campbell,
Chairman and chief executive officer,
Sun Life Assurance Company of Canada, Montreal

*N. R. Crump,
Chairman of the Company,
Canadian Pacific Railway Company, Montreal

R. Hendricks,
President and Chief Executive Officer,
Cominco Ltd., Vancouver

S. E. Nixon,
Director,
Dominion Securities Corporation Limited, Montreal

H. M. Pickard,
Executive Vice-President,
Canadian Pacific Investments Limited, Calgary

*The Hon. Duff Roblin, P.C., C.C.,
President,
Canadian Pacific Investments Limited, Montreal

*Ian D. Sinclair
President and Chief Executive Officer,
Canadian Pacific Railway Company, Montreal

G. J. van den Berg,
Vice-President, Finance,
Canadian Pacific Railway Company, Montreal

*Member of Executive Committee

Transfer Agent and Registrar

Montreal Trust Company, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

Stock Listings

Preferred Shares, Series A:
Montreal, Toronto and Vancouver Stock Exchanges

Officers

N. R. Crump,
Chairman and Chief Executive Officer,
Montreal

The Hon. Duff Roblin, P.C., C.C.,
President,
Montreal

Ian D. Sinclair,
Vice-President,
Montreal

H. M. Pickard,
Executive Vice-President,
Calgary

G. J. van den Berg,
Vice-President, Investments,
Montreal

F. A. Rutherford,
Comptroller,
Montreal

D. E. Sloan,
Treasurer,
Montreal

J. C. Ames,
Secretary,
Montreal

Financial Statements 1970

Statement of Consolidated Income for the year ended December 31

	1970	1969
		(in thousands)
Oil, Gas and Other Minerals		
Gross operating revenue	**$35,550**	$28,101
Expenses including income taxes	**24,647**	16,870
Net income	**10,903**	11,231
Timberlands and Related Facilities		
Sales and operating revenue	**27,623**	26,610
Expenses including income taxes	**25,940**	23,500
Net income	**1,683**	3,110
Real Estate and Related Operations		
Gross rentals and other income	**17,281**	13,236
Expenses including income taxes	**15,686**	11,165
Net income	**1,595**	2,071
Hotels and Restaurants		
Gross operating revenue	**47,169**	44,435
Expenses including income taxes	**46,292**	43,571
Net income	**877**	864
Financing		
Gross operating revenue	**18,185**	12,709
Expenses including income taxes	**18,059**	12,581
Net income	**126**	128
Investment Income		
Dividends		
Cominco Ltd.	**12,431**	12,431
Other subsidiary companies not consolidated	**95**	274
Other investment income	**10,613**	10,937
	23,139	23,642
Expenses including income taxes	**1,239**	1,517
Net income	**21,900**	22,125
Net Income from Operations (after income taxes of – 1970 – $9,961,000; 1969 – $11,890,000) (Note 9)	**37,084**	39,529
Equity in income of subsidiaries not consolidated in excess of dividends included above (Note 2)	**708**	1,425
Consolidated Income before Extraordinary Items	**37,792**	40,954
Extraordinary items (Note 8)	**1,510**	3,158
Consolidated Net Income (Note 7)	**$39,302**	$ 44,112
Earnings per common share after preferred dividends (Note 13)		
Consolidated income before extraordinary items	**66¢**	72¢
Consolidated net income	**69¢**	78¢

See Notes to Financial Statements

Statement of Consolidated Retained Income for the year ended December 31

	1970	1969
		(in thousands)
Balance, January 1		
As previously reported	**$145,724**	$125,826
Add (Deduct):		
Prior period adjustments (Note 7)	**(361)**	466
As restated	**145,363**	126,292
Add:		
Net income for the year	**39,302**	44,112
Equity in undistributed net income of Central-Del Rio Oils Limited for period prior to acquisition of majority interest	**—**	2,715
	184,665	173,119
Deduct:		
Dividends		
Preferred shares	**4,713**	4,724
Common shares	**23,706**	23,032
	28,419	27,756
Balance, December 31	**$156,246**	$145,363

See Notes to Financial Statements

Consolidated Investment Portfolio as at December 31, 1970

	Number of Shares	Percentage of Outstanding Voting Shares	Cost	Approximate Market Value
			(in thousands)	
Common Stocks				
The Great Lakes Paper Company, Limited	1,800,922	49.98	$ 42,773	$ 33,317
Husky Oil Ltd.	522,200	5.40	5,979	7,898
The Investors Group	300,000	4.38	3,650	2,325
MacMillan Bloedel Limited	2,264,800	10.84	67,391	61,433
Northern and Central Gas Corporation Limited	420,000	2.87	5,880	6,510
Rio Algom Mines Limited	1,210,869	9.88	28,280	19,071
TransCanada PipeLines Limited	1,383,840	16.68	51,448	48,781
Union Carbide Canada Limited	825,300	8.25	18,375	12,173
Other			1,477	2,209
			225,253	193,717
Preferred Stocks			32,700	29,695
Bonds, Debentures and Notes			13,756	13,071
			$271,709	$236,483

Consolidated Balance Sheet, December 31

	1970	1969 (in thousands)
Assets		
Current Assets		
Cash and temporary investments, at cost (approximates market)	$ **46,842**	$ 100,830
Deposits with Canadian Pacific Railway Company	**3,391**	4,215
Demand loan – Canadian Pacific Railway Company	**25,000**	—
Demand loans and accrued interest – other affiliated companies	**18,457**	6,752
Dividends and other accrued interest receivable	**1,940**	3,347
Accounts receivable	**14,762**	16,090
Inventories, at the lower of cost and market	**3,953**	5,588
Prepaid expenses	**1,248**	1,232
	115,593	138,054
Investment Portfolio, at cost (market value 1970 – $236,483,000; 1969 – $249,468,000)	**271,709**	264,621
Investments in Subsidiary Companies not Consolidated (Note 2)		
Cominco Ltd.	**188,545**	187,894
Other	**16,213**	7,678
	204,758	195,572
Other Investments, at cost	**24,243**	19,105
Properties, at cost		
Oil, gas and other minerals	**224,601**	200,178
Timberlands and related facilities	**62,213**	65,696
Real estate and related operations	**142,112**	105,941
Hotels	**68,401**	65,496
	497,327	437,311
Less: Accumulated depreciation, depletion and amortization	**85,126**	72,597
	412,201	364,714
Other Assets	**5,145**	4,207
Excess of Cost of Shares of Subsidiary Company over Equity in Net Assets at Date of Acquisition	**6,868**	6,868
	$1,040,517	$ 993,141

Approved on behalf of the Board
Duff Roblin, Director
Ian D. Sinclair, Director

See Notes to Financial Statements

	1970	1969 (in thousands)
Liabilities		
Current Liabilities		
Accounts payable and accrued charges		
Canadian Pacific Railway Company	**$ 4,735**	$ 11,417
Other	**21,293**	19,407
Notes and accrued interest payable		
Subsidiary companies not consolidated	**55**	1,100
Other	**144,692**	178,856
Income and other taxes payable	**1,871**	2,942
Dividends payable	**12,186**	11,518
Long term debt maturing within one year	**12,136**	9,671
	196,968	234,911
Deferred Liabilities	**6,175**	6,982
Deferred Credits		
Deferred income taxes	**48,852**	42,339
Other	**1,276**	1,247
	50,128	43,586
Long Term Debt (Note 4)	**117,026**	48,765
Minority Shareholders' Interest in Subsidiary Company	**10,496**	10,060
Shareholders' Equity		
Capital Stock – (Note 3)		
Preferred shares		
Authorized — 12,500,000 shares of a par value of $20 each		
Issued — 4,958,873 (1969 – 4,964,046) 4¾% Cumulative Redeemable Convertible Voting, Series A	**99,177**	99,281
Common shares		
Authorized — 100,000,000 shares without nominal or par value		
Issued — 50,088,304 (1969 – 50,077,538) shares	**322,501**	322,393
Paid-in surplus	**81,800**	81,800
Retained income (Note 3)	**156,246**	145,363
	659,724	648,837
	$1,040,517	$ 993,141

Auditors' Report to the Shareholders of Canadian Pacific Investments Limited

We have examined the consolidated balance sheet of Canadian Pacific Investments Limited and subsidiary companies as at December 31, 1970 and the statements of consolidated income and consolidated retained income for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. In respect of the equity in the undistributed net income of Cominco Ltd., we have relied upon the report of the auditors who examined its financial statements.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co., Chartered Accountants
Montreal, Quebec, March 4, 1971

Notes to Financial Statements

Note 1
Basis of Consolidation

The consolidated financial statements of Canadian Pacific Investments Limited (CPI) include the accounts of all wholly-owned subsidiaries (Marathon Realty Company Limited, Pacific Logging Company Limited, Canadian Pacific Hotels Limited, Canadian Pacific Securities Limited, CanPac Minerals Limited) and Central-Del Rio Oils Limited (CDR) in which CPI has an interest of 89.3%. The minority interest in income of CDR amounts to $1,324,000 for the year 1970 and $249,000 for the period October 1 to December 31, 1969.

The statement of consolidated income is designed to present the revenues and expenses of the various areas of the companies' operations. To this end, certain operating revenues include amounts charged to other consolidated entities and reflected in expenses elsewhere in the statement. Consolidated net income is not affected by this practice.

Note 2
Investments in Subsidiary Companies not Consolidated

The financial statements of Cominco Ltd., in which CPI has an interest of 53.18%, and other unconsolidated subsidiaries (including Fording Coal Limited in which $9,600,000 had been invested at December 31, 1970) are not consolidated because of the existence of substantial minority interests. However, the equity method of accounting has been followed in stating the investments in these companies, so that CPI includes each year in consolidated income its share of their income.

An analysis of investments in unconsolidated subsidiaries is shown below:

	Investments in Cominco Ltd. (in thousands)	Investments in Other subsidiary companies not consolidated (in thousands)
Cost of acquisition	$ 31,216	$ 12,534
Adjustment of cost of shares acquired from Canadian Pacific Railway Company to equity in underlying assets at December 31, 1963	81,800	—
Equity in net income since acquisition, less dividends received	53,246	13
Equity in other increases in retained income	2,283	—
	168,545	12,547
6¼ % Notes due May, 1972	20,000	—
Advances	—	3,666
	$188,545	$ 16,213

Note 3
Capital Stock

Each preferred share, series A, is convertible at the option of the holder to November 1, 1977 into two common shares, and is redeemable at CPI's option at $20 per share after November 1, 1972.

At December 31, 1970, 4,993,950 warrants for the purchase of common shares were outstanding. Each warrant entitles the holder to purchase one common share at $12 per share on or before November 1, 1971 and thereafter and on or before November 1, 1974 at $14 per share.

In 1970, a total of 10,766 common shares was issued, consisting of 420 shares on exercise of warrants and 10,346 shares on conversion of preferred shares.

Conditions attached to the preferred shares include certain restrictions on distributions on shares ranking junior to the preferred shares. The amount of retained income available for such distributions was approximately $79,000,000 at December 31, 1970.

Note 4
Long Term Debt

	1970	1969
		(in thousands)
Canadian Pacific Securities Limited		
7½% bank term loan repayable in quarterly instalments of $1,000,000 with a final instalment of $2,000,000 payable on February 17, 1974	**$ 14,000**	$ 18,000
9½% Sinking Fund Debentures due 1990, sinking fund commencing in 1976	**25,000**	—
9⅜% Sinking Fund Debentures due 1990, sinking fund commencing in 1976	**40,000**	—
Marathon Realty Company Limited		
Sundry loans and mortgages repayable 1971 to 1975	**2,740**	—
Foundation – Scottish Properties Limited		
6½% First Mortgage Bonds, maturing 1995, annual sinking fund payments based on percentages of the amount outstanding at March 15, 1969, ranging from 1.649% in 1971 to 7.011% in 1994	**10,806**	11,176
Central-Del Rio Oils Limited		
*Term loans bearing interest at prime rate plus ¼% repayable in monthly instalments of $41,700	**1,810**	2,310
*Bank loans bearing interest at varying rates repayable in monthly instalments of $150,080	**10,806**	—
Canadian Pacific Oil and Gas Limited		
Term loans bearing interest at prime rate plus ½% repayable in equal semi-annual instalments 1971 to 1974	**16,000**	20,000
Pacific Logging Company Limited		
Term loans bearing interest at prime rate plus ½% repayable in equal semi-annual instalments 1971 to 1974	**8,000**	6,950
	129,162	58,436
Less: Long term debt maturing within one year	**12,136**	9,671
	$117,026	$ 48,765

*Secured by certain producing properties.

Annual maturities and sinking fund requirements for each of the five years following 1970 are: 1971, $12,136,000; 1972, $12,773,000; 1973, $12,798,000; 1974, $10,621,000; 1975, $3,641,000.

Note 5
Interest Expense

Interest on long term debt for 1970 was $8,245,000 (1969 – $3,623,000) and on short term notes $13,616,000 (1969 – $10,354,000).

Note 6
Depreciation, Depletion and Amortization

Amounts charged for depreciation, depletion and amortization in the statement of consolidated income were $16,371,000 in 1970 (1969 – $12,478,000).

The sinking fund method of providing for depreciation is used for major real estate developments. The sinking fund method will write off the cost of the buildings over a maximum period of 40 years in a series of annual instalments increasing at the rate of 5% compounded annually. Under this method depreciation charged to income in later years will be substantially higher than the amount charged in earlier years.

The amount of depletion charged expenses for the year 1970 was $8,050,000 (1969 – $5,228,000) and the accumulated depletion at December 31, 1970 is $45,636,000 (1969 – $37,868,000).

Note 7
Prior Period Adjustments

Net income for 1969 has been restated to reflect the equity in the loss of Hill Chemicals, Inc., which became a subsidiary of Cominco Ltd. in 1970, and for the equity in a reduced charge for depreciation of Pine Point Mines Limited. These adjustments, and the effect of the Pine Point depreciation adjustment for years prior to 1969, have been restated in retained income.

Note 8
Extraordinary Items

Extraordinary items comprise, in 1970, gain on disposal of investments $670,000; and net gain on sale of a lumber mill by a subsidiary, $840,000; and, in 1969, net gain on disposal of investments, $752,000; equity in gains on sales of land and mining investments of Cominco Ltd., $1,655,000; and equity in reduction in income taxes of a subsidiary of Cominco Ltd. resulting from losses and tax credits of prior years, $751,000.

Note 9
Income Taxes

The provision for income taxes reflected in net income from operations, in the total amount of $9,961,000 (1969 – $11,890,000) includes $6,513,000 (1969 – $7,111,000) in respect of deferred income taxes.

The companies have followed the practice of charging against income both the income taxes currently payable and tax deferments resulting from timing differences between write-offs for book and for tax purposes. In computing deferred income taxes in respect of oil, gas and other minerals an estimated tax rate, which is less than the current effective rate, has been used. While The Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants has recommended the use of current effective rates in such a situation, CPI believes its procedures result in adequate provision for deferred income taxes. CPI's policy is more conservative than the general practice in the oil and gas industry in Canada, where the majority of companies do not provide any amounts for income tax deferred as a result of claiming drilling, exploration and lease acquisition costs in excess of amounts written off in the accounts (a practice which is accepted by accounting authorities outside Canada).

The additional amount which would have been provided if current effective tax rates had been used is $1,800,000 (1969 – $2,000,000). The total additional amount which would have been provided to December 31, 1970 is $13,700,000.

Note 10
Commitments and Contingencies

Commitments for capital expenditures were $16,000,000 at December 31, 1970 (1969 – $28,850,000).

CPI has guaranteed 60% and Cominco Ltd. 40% of bank loans aggregating U.S. $60,000,000 negotiated by Fording Coal Limited, a 60% owned subsidiary. At December 31, 1970, U.S. $7,400,000 had been drawn down.

Loans guaranteed by a subsidiary amounted to $3,026,000.

Note 11
Foreign Exchange

Cash and temporary investments include deposits with United States banks which have been translated into Canadian dollars at the current rates or rates established by forward commitments. Long term debt payable in United States dollars has been converted at rates ruling on the dates of issue. Other foreign currency items are converted at current rates. Gains or losses on exchange are included in or charged to income.

Note 12
Directors' and Officers' Remuneration

Remuneration paid to four directors and six officers by CPI amounted to $19,000 and $144,000 respectively. Remuneration paid by subsidiary companies to two directors and five officers of CPI in their capacities as directors and officers of subsidiary companies amounted to $180,000. Five officers of the Company are also directors.

Note 13
Earnings per Share

Assuming full dilution through conversion of preferred shares and exercise of warrants, earnings per share for 1970 would be 62¢ before extraordinary items and 64¢ in total. In calculating such earnings, a return of prime bank rate on the proceeds of the exercise of warrants has been assumed.

Five-year summary	1966	1967	1968	1969	**1970**
			Figures in thousands, except amounts per share		
Net income from operations					
Oil, gas and other minerals	$ 8,723	$ 10,609	$ 11,850	$ 11,231	**$ 10,903**
Timberlands and related facilities	(167)	542	2,435	3,110	**1,683**
Real estate and related operations	637	1,226	1,302	2,071	**1,595**
Hotels and restaurants	692	870	(443)	864	**877**
Financing	41	204	150	128	**126**
Investment income	22,119	19,793	22,948	22,125	**21,900**
	32,045	33,244	38,242	39,529	**37,084**
Equity in income of subsidiaries not consolidated	10,153	6,831	3,816	1,425	**708**
Consolidated income before extraordinary items	42,198	40,075	42,058	40,954	**37,792**
Extraordinary items	7,600	4,207	1,330	3,158	**1,510**
Consolidated Net Income	$ 49,798	$ 44,282	$ 43,388	$ 44,112	**$ 39,302**
Dividends — Preferred shares	—	—	$ 4,749	$ 4,724	**$ 4,713**
— Common shares	$ 20,065	$ 20,065	21,505	23,032	**23,706**
Number of Shares Outstanding					
Common	48,324	50,000	50,016	50,078	**50,088**
Preferred	—	5,000	4,993	4,964	**4,959**
Per Common Share after Preferred Dividends					
Consolidated income before extraordinary items	87¢	78¢	74¢	72¢	**66¢**
Consolidated net income	103	86	77	78	**69**
Dividends	41	40	43	46	**47.33**
Investments at year end					
Portfolio	$192,031	$239,026	$276,031	$264,621	**$271,709**
Subsidiaries not consolidated	149,211	177,223	189,670	195,572	**204,758**
Properties	160,027	194,665	242,594	364,714	**412,201**

Canadian Pacific Annual Report 1970

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JW

CANADIAN PACIFIC LOOKS AHEAD AT THE SEVENTIES

By N.R. Crump

Chairman, Canadian Pacific

MONTREAL - Canadian Pacific sees major advances in its multi-modal transportation systems and in its development of natural resources in the decade of the Seventies.

It will be an exciting decade in which total distribution systems will gain widespread acceptance in Canada. Containers will integrate train, ship, truck and air cargo for speed and reliability, while high-powered unit trains will haul huge volumes of specific commodities to market. Solids pipelines will become a reality.

At the same time, Canadian Pacific Investments Limited will keep pace with Canada's economic growth, implementing major projects in resource development and urban renewal.

MORE

This outlook is based on a continuing satisfactory rate of economic growth and the expectation that the fundamental problem of price and wage inflation can be resolved. In the past decade foreign trade has grown much more rapidly than the domestic economy. Effective measures must be taken to check spiralling inflation if Canada's export trade is to maintain this healthy rate of growth.

Canada's economic development during the Seventies is expected to equal that of the past decade. In the last 10 years, gross national product increased a healthy 65 per cent in real terms, easily surpassing a population increase of 20 per cent.

The new decade will provide the railway industry with a special challenge. The development of broader transportation policies, started with the report of the MacPherson Royal Commission in 1961 and achieved under the National Transportation Act of 1967, has sharpened the competitive vigor of the transportation industry.

MORE

Anticipating new opportunities to develop flexible pricing strategies and innovative transportation systems, CP Rail completed a major reorganization of its marketing and sales activities in 1969.

With the new structure, CP Rail is geared to help customers develop comprehensive physical distribution systems for their goods and commodities.

The travelling needs of Canadians and the efficient allocation of transportation resources will be a continuing concern over the next few years. An examination of passenger-train services is being carried out now by the Canadian Transport Commission under the guidelines of the National Transportation Act.

CP Rail recognizes this issue is of long-term importance and requires careful consideration. The company will co-operate fully with the Commission and other interested parties to achieve solutions which are in the long-term interest of Canadians.

Turning to the immediate future, gross freight revenues are expected to continue to grow at the present rate of increase. In 1969 freight revenues increased an estimated five per cent over 1968.

MORE

In the past year, significant increases in volume were achieved in potash, liquid petroleum gases, wood-pulp, pulpwood, newsprint, vehicle parts, trucks, pool car traffic and piggyback freight.

CP Rail ordered 2,302 units of new freight equipment and 80 diesel units during 1969 to meet the demands for general service as well as specialized needs.

The inaugural run of CP Rail's unit trains, transporting coal from Kaiser Resources' mines at Sparwood, B.C., to Roberts Bank, will be one of the first developments of the new decade. This integrated system, with a potential capacity well in excess of present delivery schedules of 6 million tons annually, is the forerunner of similar trains planned for other commodities.

A partnership including three Canadian Pacific companies, CP Ships, CP Rail and CP Express, will provide this country with its largest and most completely integrated container service to Europe. Next September CP Ships takes delivery of the first of three new 700-container vessels costing a total of $20,000,000. The new year will also mark the completion of the new container port at Quebec City.

MORE

A second partnership, involving CP Rail, Associated Container Transportation (Canada) and McLean Kennedy Limited, will begin an intermodal container service linking Canada and Australia-New Zealand. The $4,000,000 container terminal, to be built at West Saint John, N.B. by the National Harbours Board, will be operated jointly by CP Rail and McLean Kennedy. Solid trains of containers, tied in with ship schedules, will speed traffic to major Canadian centres.

Fording Coal Limited, a new company owned jointly by Canadian Pacific Investments and Cominco Ltd., has undertaken development of extensive coal properties near Fording River, B.C. Delivery of coal under its 15-year, 45 million-ton contract with Japanese steel interests, will begin in 1972.

Cascade Pipe Line Limited, a new member of the Canadian Pacific family, is planning to build Canada's first coal-carrying pipeline. The company has already served notice it intends to apply for a permit to build a 490-mile pipeline to carry B.C. coal from the Kootenay area to Roberts Bank. At the same time continuing research and development of solids pipelining for other commodities will be carried out by ShelPac Research and Development Limited, a new company owned jointly by Canadian Pacific and Shell Canada.

MORE

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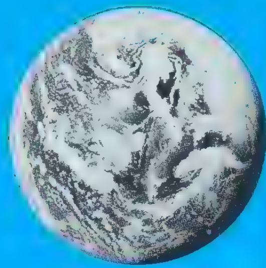
CP Telecommunications, which will put its new message switching computer into service early in 1970, will continue to extend its telex, broadband and private wire services. Increased reliance will be placed on satellite communications during the Seventies and important developments are anticipated in other methods of transmission technology, such as laser beams.

Freight carryings by CP Transport, Smith Transport and CP Express will continue to grow at an anticipated six to 10 per cent annually. As highways continue to improve, and trailers continue to increase in size, it is expected that the gas turbine power plant could have a substantial impact on trucking costs.

CP Transport is engaged in a significant expansion of its bulk and heavy haul division in Western Canada and domestic handling of overseas containers is becoming of increased importance to Smith Transport and CP Express.

Three new bulk carriers joined the fleet of Canadian Pacific (Bermuda) Limited in 1969 and the company will take delivery of the first of two 250,000-ton tankers and one 58,000-ton ore carrier in 1970.



Canadian Pacific Limited

91st Annual General Meeting of Shareholders

Report of Proceedings May 3, 1972

Report of the proceedings at the Ninety-first Annual General Meeting of the Shareholders held at Montreal on Wednesday, May 3, 1972

The Meeting assembled in accordance with the convening notice at 11:00 A.M., D.S.T., in Le Château Champlain, at Montreal.

In accordance with the By-laws of the Company the Chairman of the Company, Mr. N. R. Crump, presided and the Secretary of the Company acted as Secretary of the Meeting.

With the consent of the Meeting, the Chairman named Messrs. J. R. Sears and Warren Jensen, both employees of the Royal Trust Company, to act as Scrutineers.

The Secretary read the notice calling the Meeting, which had been mailed to registered Shareholders of all voting securities.

There were 156 Shareholders present and 36,157,927 votes represented in person or by proxy.

On motion of Mr. William H. Mueller, seconded by Mr. Michael E. Hornback, the following resolution concerning the confirmation of Minutes of the Special General Meeting of Shareholders held on September 13, 1971 was unanimously adopted:
Resolved, that Minutes of the Special General Meeting of Shareholders, held on September 13, 1971, be taken as read and confirmed.

The President then addressed the meeting as follows:

The President

Ladies and Gentlemen:
I am most happy to add my welcome to that of our Chairman. It is indeed a pleasure to see so many of our shareholders present this morning.

As you know, this is the last meeting of the shareholders of this Company at which Mr. Crump will be the presiding officer. After 52 years of dedicated service to Canadian Pacific, Norris R. Crump retires today as Chairman of the Company. He has agreed to continue as a Director, so therefore we will still enjoy the benefit of his experience, knowledge and wisdom.

The career of Mr. Crump spans over half a century of Canadian Pacific. Starting in 1920 on the working end of a No. 2 shovel, he rose through the ranks to become President in 1955 and Chairman in 1961. While his efforts have been directed mainly to Company affairs, Mr. Crump has taken an active interest in many public issues and has gained a special stature within both the business community and the wider community of the nation. This was recognized formally when earlier this year the Governor-General invested Mr. Crump with the insignia of a Companion of the Order of Canada for outstanding merit of the highest degree. We congratulate you, Mr. Crump, on receiving the highest honor Canada can bestow on one of its citizens.

I am sure that all shareholders and all employees of Canadian Pacific join me in expressing best wishes to Mr. Crump and to Mrs. Crump for a healthy and happy retirement.

The years of Mr. Crump's leadership of Canadian Pacific have coincided with a period of remarkable growth in Canada. Growth involves change, and this has affected many aspects of our lives. There is plentiful evidence, both statistical and visible, of changes in our countryside and our cities, in our factories and our farms and, unmistakably, in our hair styles.

As Canadian Pacific shareholders, you do not need to be told that dynamic change has taken place in the Company, particularly in the last decade. The stimulus for this comes from the recognition that the Company had to increase its profitability to survive in an economic environment that was becoming increasingly competitive. The problem was how to achieve this.

The proposed solution evolved from two distinctive features of Canadian Pacific. First, the Company possessed major undeveloped natural resource assets. Second, although originally a railway company, the Company had never been *just* a railway. From its very earliest years, Canadian Pacific supplemented its railway operations with steamship and telecommunication services and with hotels. These facts were familiar enough, but it required imagination to see their relevance to the problem at hand; it was to take creative effort to release the potential which a fresh view of these revealed.

In the transportation field, it became clear that no one form of transport could meet all the needs of modern industry. Each mode had particular advantages — low costs in the case of railways and ships, flexibility in the case of highway transport, speed in the case of air, dependability in the case of pipelines. A transportation service capable of generating new business would have to provide this whole spectrum. Not only that, the service would have to be geared to shippers' needs, blending and mixing the different means of transport as specific situations might indicate. To carry out this concept it was essential that new techniques and a new spirit be injected into the marketing of transportation service. At the same time it was necessary to mesh more effectively than ever before the efforts of the operating team, which makes the product, and the sales team, which sells it.

All the while, the properties were being modernized and services extended and improved. On the railway, to cite a few examples, new automatic classification yards were built and put into service, centralized traffic control was installed on hundreds of miles of line, imaginative bulk transport systems were devised and implemented. On the highways, operations were extended from Newfoundland to British Columbia and from the United States border to the Northwest Territories. Bulk and heavy haulage activities were launched.

In the realm of ocean transport, the Company entered the tanker and bulk carrier business through CP (Bermuda), and, recently, replaced conventional freight vessels with the most modern cellular container ships, and built major container ports at Quebec and Saint John. In the air, CP Air secured recognition as the Canadian flag carrier to Asia, Australia and the South Pacific, South America, Southern Europe and the Middle-East. Within Canada, it achieved for Canadians the right to a choice of air line in their transcontinental travels.

A new era was also entered in telecommunications. In cooperation with CN, telex was introduced, a trans-continental microwave system was built and a broadband exchange service was launched.

In the case of the Company's natural resources, the decision to grasp the initiative took considerable courage. Risks would have to be taken. Without the risks, though, the rewards would never be great.

In the natural resource field there was not the same background to draw upon as there was in the case of transportation and telecommunication operations. Encouragement could be drawn from an investment made in 1898 which has turned into the highly successful Cominco Ltd. But there was no precedent for a Canadian Pacific Oil and Gas Limited. There were no really useful models for a Pacific Logging Company or a Fording Coal, even though the Company had operated sawmills for many years in British Columbia, producing ties and lumber for the railway from Company timberlands, and had opened up some coal mines in Alberta in the early years of the century. It was a

fact that the Company had laid out some 800 townsites across the Prairies as the railway line was built westward, but this set no pattern for a Marathon Realty Company. These new ventures had to be conceived along fresh lines and brought into being. Capital had to be supplied to nourish them. New managerial talent had to be found or developed to carry them forward.

The program of diversification raised myriad problems, but none was more crucial than that of creating a suitable organizational framework to develop the earning capacity of the diversified elements. By itself, diversification might cover up a lot of mediocre management. To avoid this, and to give maximum stimulus to achieving efficiency, the profit centre concept of management was applied very early.

Whether the profit centre is a separate company, as in the case of CP Air, or a department as in the case of CP Rail, the object is to increase profitability by giving authority and responsibility to managers who are held directly accountable for the results of their operation. Senior executives of the Company are thus freed from the details of day-to-day operation and are able to concentrate on overall planning and on harmonizing the efforts of the profit centres.

It would be unrealistic to suggest that this organizational form or the way we are using it is perfect. It has potential weaknesses. We are aware of them and guard against them. The system is working well for us and we expect that it will continue to do so.

Although the plans for revitalizing the Company were not expected to yield a full harvest immediately, they were designed to produce some improvement in the short run. And they have. Since the early years of the 1960's, total earnings have increased from the $40 million range to last year's $70 million. Over the same period dividends on the ordinary stock have more than doubled, and the price of the ordinary stock has tripled.

In the process, Canadian Pacific, always a Canadian-based company, has become a Canadian-owned company. The percentage of voting stock held by Canadians in the early 1960's was around 25%. By the end of 1971 it had risen to 60%. Within the same period, Canadians were given, and welcomed, the opportunity to invest $100 million in equity in the uniquely Canadian resource development enterprises represented by Canadian Pacific Investments Limited.

On the financial side, the Company completed a restructuring of its capitalization last year. A new issue of redeemable cumulative preferred shares was offered and more than 80% of the holdings of the old preference stock were exchanged for the new shares. The par value of the ordinary stock was reduced from $25 to $5 — the equivalent of a five-for-one split — to encourage even wider ownership by individual Canadians.

Wider Canadian ownership of Canadian Pacific is an objective which our generation is by no means the first to voice or to seek. On April 23, 1887 — some 85 years ago — the first President of the Company, George Stephen, wrote Sir John A. Macdonald that:

> "There is nothing I am so anxious about"
> he said
> "as to the C.P.R. as its Canadianisation . . .
> I am bound, if I can, to have it managed and
> controlled by Canadians, and not only that,"
> and I would hope you would all note this well
> "but I hope to see it become the favourite
> investment with our own people."

This is a sentiment we heartily echo today. And we believe that the increasing interest of Canadians in the stocks of Canadian Pacific reflects their growing awareness that this is a way to share in Canada, its growth and its progress. Your shares in the Company represent participation in the many things that Canadian Pacific does, in transportation, communications, and natural resource development.

Ladies and Gentlemen, this review compresses a very great deal of thinking, planning and activity into a very small compass. It is sufficient, however, to remind you of the distance we have covered in the past decade. It should also make clear that with the fundamental changes now behind us, a basic framework for the future has been established. The enterprise has been readied to take advantage of the continuing flow of opportunities that we confidently expect will accompany future economic growth. We expect to make a significant contribution to that growth. Our assets in both transportation and natural resources are considerable. We want them to be used effectively and efficiently. We have worked out a corporate philosophy and an organization form which we believe will achieve that. Our management team is vigorous and strongly motivated. Our staff is competent and contains an unusually high percentage of devoted people. Personnel planning is given a high priority to ensure management continuity. We have sufficient size to generate large amounts of capital internally and to support investor confidence.

Under Mr. Crump's leadership a solid foundation has been laid and farsighted planning undertaken for the future progress of Canadian Pacific. Our job — and our commitment — is to carry forward the realization of our plans with as much skill and energy as were put into their development.

1971 is behind us and you have all had the Report. What about 1972? For 1972 the outlook is promising. Earnings in the first quarter showed improvement over the same period of 1971, despite storms and strikes. Heavy snow and avalanche conditions in the Pacific Region disrupted rail traffic and hampered trucking operations. In some cases it took nothing less than heroic effort to get the rail line re-opened and we are proud of the men who did such a wonderful job. In the Gulf of St. Lawrence unusually severe ice conditions retarded ocean shipping schedules. The strike of air traffic controllers interrupted air services. Notwithstanding

these setbacks, rail, container-ship and air operations contributed to the better earnings of the first three months. For that period, earnings of the Company and its subsidiaries amounted to 13.5 millions of dollars. This compares with $11.2 million before extraordinary items of $2.2 million in the first quarter of last year.

Although rail freight revenues for the quarter were up $10.5 million, or 8%, they were substantially below what had been expected. The unusually bad weather in the Pacific Region affected traffic not only to and from the Coast, but throughout the balance of the system as well because the eastward movement of empty cars was slowed down and car shortages resulted.

Offsetting the effects of the bad weather, to some extent, is the inclusion in revenues of one-quarter of the payments received in March from the Government in addition to normal payments. These additional payments represent partial compensation for the excess of our claims over amounts already received for 1970 and 1971 in respect of unprofitable passenger train services and branch lines.

Increases averaging 6% were put into effect during the first quarter on both competitive and non-competitive rail freight prices within Canada. These were necessary to cover some of the additional expenses arising from higher wage rates and material prices. The percentage increase applied to long haul traffic was less than for shorter haul traffic, and the increase was limited to 3% on certain commodities.

CP Telecommunication earnings improved significantly in the first three months, reflecting resumption of growth which had been absent through the latter half of 1971. An application for tariff increases for telex, broadband and private wire services is presently before the Canadian Transport Commission. A public hearing on this application will probably be held later in the year.

The Government's policy paper on telecommunications has not yet been issued. In submissions to the Minister of Communications, CP Telecommunications has vigorously supported the position that industrial and commercial telecommunication users in Canada should have the option of choosing between the services, including voice, of at least two common carriers operating in a framework of public regulation.

The net income of Canadian Pacific Investments Limited for the first quarter was $10 million, or $2 million more than in the first three months of 1971. Timberland and real estate operations accounted for substantial gains in earnings and Cominco's income showed the favorable effects of stronger markets for lead, zinc and fertilizers. Pulp and paper interests did not fare as well. The Great Lakes Paper Company, in which CPI has a 51.8% interest, had a loss in the first quarter, and dividend income from investments in other pulp and paper companies was lower than a year ago.

Fording Coal Limited commenced coal deliveries to its Japanese customers during April, as stipulated in its sales contracts. It expects to continue to be able to meet delivery schedules and coal quality specifications. Discussions with Fording's customers will begin soon with a view to securing price adjustments to compensate for cost increases and the reduction in the value of the U.S. dollar since 1969, when the contract was made.

For the balance of the year Canadian Pacific Investments expects that the upward trend evident in its first quarter income will be maintained.

Within CP Rail, improved business conditions and reasonably good retail markets should generate more shipments of manufactured products, and strength in home construction should sustain the heavy traffic in lumber. Steady increases can be expected in rail container shipments. With Fording production moving, the volume of coal will be greater.

CP Trucks will benefit from the more buoyant economy. They will share more fully in the growing container business as a result of arrangements completed between CP Transport and CP Steamships which provide for the highway movement of significant volumes of import-export container traffic. In the bulk and heavy haulage field, orders were placed early this year for highway equipment to expand these services and to improve operating efficiency through extensive use of multi-trailer units on the highways.

The completion of the re-structuring of CP Ships' services accounts for the better showing by that operation and as the year progresses the improvement should be even more pronounced. The results of CP (Bermuda) will not be as spectacular as in 1971, but will be very satisfactory. Negotiations are in progress in regard to further development of this company.

CP Air looks for a reasonably good year. It is facing increased competition on the profitable Vancouver-Tokyo run and the charter situation on the North Atlantic route continues to cause concern.

Last year at the annual shareholders' meeting I expressed the hope that our earnings in 1971 would grow at a faster rate than the Canadian economy. This, in fact, was the case. For 1972 the goals we have set for our managers are challenging, but we believe they will be fully achieved. I can therefore say with some confidence that we expect earnings in the current year to surpass those of 1971 by an appreciable margin — certainly by more than the 10% that is widely predicted as the increase in Canada's gross national product.

Upon conclusion of his address the President moved, and Mr. F. S. Burbidge seconded, the following resolution:

Resolved, that the Report on the affairs of the Company for the year ended December 31, 1971, now submitted, be and the same is hereby adopted.

Before putting the foregoing resolution to the Meeting the Chairman addressed the Meeting as follows:

The Chairman

In the light of the President's remarks, and before discussion on the motion to adopt the Annual Report, I would like to make a short statement.

As has become generally known it is my intention to retire from active service at the meeting of the Board following this assembly. It is almost 52 years since I commenced working for Canadian Pacific and consistent with long term planning younger men should take over the direction of the Company. It has been an exciting and rewarding life. Latterly I have presided over twelve of these Annual Meetings.

The Board of Directors has authorized me to advise you that it is their intention to elect Mr. Ian D. Sinclair, presently President and Chief Executive Officer, to succeed me as Chairman and also to be Chief Executive Officer. Mr. Sinclair is a thirty year veteran of Canadian Pacific and is, I believe, eminently suited to guide the destinies of your Company over the next few years. Coupled with his great personal talents he will lead an outstanding team of younger officers. I wish him every success in his stewardship.

During discussion Shareholders were informed in reply to questions: that the Canadian Transport Commission has not announced a decision as yet on an application by Canadian Pacific Limited to purchase up to fifty per cent of Commercial Pipe Line Company of Toronto; that in the matter of the application of the Kootenay & Elk Railway to connect with the Burlington Northern and move East Kootenay coal to Roberts Bank, B.C. via the U.S. route, the decision of the Supreme Court of Canada dated May 1, 1972, was adverse to the interests of the Company, that action on the part of the Canadian Transport Commission was, however, now required and that further steps by the Company will be given consideration when such action is taken; that the start-up and other difficulties experienced by Kaiser Resources Limited which resulted in some under-utilization of the rail equipment purchased to transport coal shipped by that company from the mine at Sparwood, B.C. to Roberts Bank, B.C. have been overcome, and the volume now being handled is adequate to meet current commitments; that the matter of a government contribution to the cost of leasing extra railway equipment to handle the peak movement of export grain for the balance of 1972, is now under negotiation with Federal Government authorities; that consistent with statutory requirements and contractual obligations there is a continuing effort to maximize the efficient use of labor in the Company's operations; that in the start-up operations of Fording Coal Limited in Southeastern British Columbia there was an opportunity to avoid some of the difficulties encountered by other coal mining companies in that area — operations have commenced and trial shipments of coal began during the middle of March 1972 — that to meet increased costs and the adverse effects of the devaluation of the U.S. dollar at an appropriate time the company would invoke an escalation clause in the contract with the Japanese companies; that Canadian Pacific (Bermuda) Limited, a wholly owned subsidiary of the Company, owns and operates six cargo vessels and four oil tankers, another three products tankers and three bulk carriers are under construction, and all of these vessels will be operated in the service of non-affiliated companies under long term charters some of which were made near the peak period of the charter market; that unlike companies such as CPI and CP Air which are incorporated under the Canada Corporations Act, CP Limited which was incorporated under the Great Seal pursuant to a Private Act is not required to have its balance sheet signed by Directors; that while the market for fertilizers is highly competitive, Cominco has indicated it intends to continue full activity in that market so long as it remains profitable; and, that substantial research on the subject indicates that the last spike driven on completion of the Company's transcontinental line was an ordinary iron track spike.

At conclusion of discussion, the resolution having been put to the vote, the Chairman declared that the resolution had been carried unanimously and the Report adopted.

The Chairman stated that the Company's By-laws had been amended by the enactment by the Directors of By-laws Nos. 91, 103 and 104 since the Special General Meeting of Shareholders held September 13, 1971. Summaries of said By-laws were included in the Information Statement sent to Shareholders before the Meeting and the full texts of said By-laws, as enacted by the Directors, were handed to Shareholders upon entering the Meeting.

The Secretary then read By-law No. 91 as follows:

By-law No. 91

By-law No. 91 enacted by the Directors on the 8th day of December, 1969, is repealed and the following is enacted as By-law No. 91:

That the Vice-President Marketing and Sales, the Manager — Freight Tariff Bureau, Montreal, Quebec, the Manager — Freight Tariff Bureau, Winnipeg, Manitoba, and any other officer appointed for that purpose by the Vice-President Marketing and Sales, are and each of them is hereby authorized by this By-law from time to time to prepare and issue tariffs of the tolls to be charged by the Company, to issue concurrences or powers of attorney with respect to such tariffs on behalf of the Company and all portions of the railway and all vessels owned and operated by the Company, and the General Manager, Passenger Services, and the Manager, Passenger Marketing, are and each of them is hereby authorized in a like manner to prepare and issue tariffs of the tolls to be charged for the carriage of passengers upon the said railway and all portions thereof and upon the said vessels.

On motion of Mr. W. J. R. Paton, seconded by Mr. Joseph C. Hemming, the following resolution was unanimously adopted:
Resolved, that By-law No. 91 as enacted by the Directors be and it is hereby approved and confirmed as a by-law of the Company.
The Secretary then read By-law No. 103 as follows:

By-law No. 103

Resolved, that the following be enacted as By-law No. 103:
Certificates for 7¼% Cumulative Redeemable Preferred Shares Series A shall be in such form as the Board of Directors shall by resolution prescribe. The certificates shall be signed by the President and the Secretary of the Company or on their behalf as provided in the By-laws, and countersigned by the Transfer Agent and the Registrar.

On motion of Mr. J. N. Cole, seconded by Dr. W. L. May, the following resolution was unanimously adopted:
Resolved, that By-law No. 103 as enacted by the Directors be and it is hereby approved and confirmed as a by-law of the Company.
The Secretary then read By-law No. 104 as follows:

By-law No. 104

Resolved, that the following be enacted as By-law No. 104:
Register Books and transfer books for the 7¼% Cumulative Redeemable Preferred Shares Series A shall be kept at the Head Office or at such other place in Montreal as the Directors may from time to time direct and the Directors may order similar records to be kept at London, England, at the City of Halifax in the Province of Nova Scotia, at the City of Saint John in the Province of New Brunswick, at the City of Toronto in the Province of Ontario, at the City of Winnipeg in the Province of Manitoba, at the City of Regina in the Province of Saskatchewan, at the City of Calgary in the Province of Alberta, at the City of Vancouver in the Province of British Columbia, or at any or all of such places.

On motion of Mr. Guy Drummond, seconded by Mr. P. E. Le Feuvre, the following resolution was unanimously adopted:
Resolved, that By-law No. 104 as enacted by the Directors be and it is hereby approved and confirmed as a by-law of the Company.
The Meeting then proceeded to the election of six Directors for the term of four years to take the places of Directors who retire at this Meeting.
Mr. A. P. Shearwood then nominated: Mr. F. S. Burbidge, Mr. H. J. Lang, Mr. H. Greville Smith, C.B.E., Mr. Norman E. Whitmore, Mr. Henry S. Wingate, and Mr. Ray D. Wolfe.
There were no other nominations and, on motion of Mr. A. I. Matheson, seconded by Mr. Douglas H. Strachan, the following resolution was unanimously adopted:
Resolved, that nominations for Directors of the Company be closed and that the Secretary be hereby instructed to cast a single ballot on behalf of the Shareholders for the election of the six persons whose names have been read to this Meeting as Directors of the Company for the term of four years in place of the Directors retiring at this Meeting.
A ballot having been so cast, the Chairman declared that Mr. F. S. Burbidge, Mr. H. J. Lang, Mr. H. Greville Smith, C.B.E., Mr. Norman E. Whitmore, Mr. Henry S. Wingate and Mr. Ray D. Wolfe were elected as Directors of the Company for the term of four years.
Shareholders were informed in reply to questions: that due to conflict of interest one Director had resigned from the Board in October 1971; and, that consideration would be given to holding an Annual Meeting of the Shareholders at a location other than at Montreal.
There being no further business, Mr. Alex. C. Pathy moved and Mr. K. D. Carmichael seconded the following resolution:
Resolved, that this meeting be now terminated.
The resolution having been put to the vote, the Chairman declared the motion carried unanimously and the Meeting terminated.

Chairman

Secretary

At a meeting of the Board of Directors immediately after the Shareholders' Meeting, Mr. Ian D. Sinclair was elected Chairman of the Company and Chief Executive Officer, Mr. F. S. Burbidge was elected President of the Company, and Mr. Keith Campbell was elected Vice-President of the Company. The following were elected the Executive Committee:
Mr. Ian D. Sinclair
Mr. F. S. Burbidge
Mr. Keith Campbell
Mr. W. A. Arbuckle
Mr. Herbert H. Lank
Mr. W. Earle McLaughlin
Mr. H. Greville Smith, C.B.E.

Canadian Pacific Limited

Printed in Canada

Canadian Pacific

89th Annual
General Meeting
of Shareholders

Report
of Proceedings
May 6, 1970

Report of the proceedings at the Eighty-ninth Annual General Meeting of the Shareholders held at Montreal on Wednesday, May 6, 1970

The Meeting assembled in accordance with the convening notice at 11:00 A.M., D.S.T., in Le Château Champlain, at Montreal.

The Chairman of the Company, Mr. N. R. Crump, presided and the Secretary of the Company acted as Secretary of the Meeting.

The Secretary read the notice calling the Meeting, which had been mailed to all registered Shareholders.

There were 118 Shareholders present and 10,284,621 votes represented in person or by proxy.

On Motion of Mr. A. P. Shearwood, seconded by Mr. Derek C. Hannaford, the following resolution concerning the confirmation of Minutes of the last Annual General Meeting of the Shareholders held on May 7, 1969 was unanimously adopted:

Resolved, that Minutes of the Eighty-eighth Annual General Meeting of Shareholders, held on May 7th, 1969, be taken as read and confirmed.

The Chairman and the President then addressed the Meeting as follows:

The Chairman

This is the 15th annual general meeting of shareholders of the Canadian Pacific Railway Company that I have had the pleasure of addressing. In my first address to shareholders in May, 1956 I based my remarks on a 15-year economic forecast that had just been completed for the Company by a group of eminent economists. Their forecast suggested a growth in the population of Canada to some 21 million by 1970, or one-third more than the 1955 total of 15,500,000 people. This was remarkably accurate, for the population of Canada reached 21,069,000 on June 1, 1969. The forecast also indicated that Canada's gross national product, which was then $28 billion, might reach $45 billion by 1970, an increase of approximately 65 per cent. This was a considerable under-estimate. In 1969 Canada's gross national product, in constant dollars, was very nearly double the 1955 level. In 1955 few Canadians would have thought such an achievement likely. But even the estimate we had, signified that there would be great demands on the country's transportation system. With that in mind, we laid plans "to gear Canadian Pacific organization and facilities to meet the challenges and opportunities" that were anticipated. Out of such forward thinking came the thoroughly modern transportation complex that Canadian Pacific is today and Canadian Pacific Investments Limited, with its strong base in natural resources.

Now we stand at the beginning of a new decade. It is a good time to take a fresh look into the future and try to discern at least its general outlines. My starting point is, as it was 15 years ago, an expectation of a high growth rate in the Canadian economy. In saying this I am not unmindful of the threat to stable growth posed by the present inflation. Nor am I unaware of the seriousness of our problems of regionalism, and of those arising out of the country's two cultures and two languages. But no country in the world is untouched by inflation, and none is free of domestic friction of some sort.

The things that need to be done to preserve a unified nation will prove to be far simpler and less painful than enduring the consequences of a failure to do what the situation demands.

In looking ahead to a decade of continued high growth in Canada I am taking into account particularly the great potential that exists for development of trade with the countries on the Pacific Rim. The expansion of markets in the Pacific area in the years ahead will give the Canadian economy the same stimulus that development of European markets gave in earlier periods of our history.

With modern means of transportation and communication, the vast Pacific, which was once a formidable barrier, now serves as a broad highway linking economies and peoples. In recent years trade between Canada and Japan has shown especially striking growth. The economies of the two countries are in many respects complementary and it will be to our mutual advantage to continue to cultivate not only the exchange of goods, but also two-way investment.

Besides Japan, there are other Pacific countries which have demonstrated a rapid rate of growth and whose markets and investment opportunities are especially attractive. At the same time our traditional markets in Europe and in the United States will certainly continue to expand. However, we should not be under any illusion that such markets will just fall into our lap. There will be competition for them – strong competition.

It is precisely in the area of improving the competitive edge of Canadian producers in world and domestic markets that I see the transportation arm of Canadian Pacific making its most important contribution over the next decade. While there will continue to be significant technological change, the really big challenge will be to make full use of the hardware and the technology already at hand. This is the direction which Canadian Pacific is following, as evidenced by our successful planning of the unit train system now carrying coal from southeastern British Columbia to the west coast. In this case, by bringing our considerable experience in integrated transportation systems to bear on the problem, we were able to reduce transportation costs to a level that made the coal competitive in the Japanese market. While present and prospective contracts for coal movement are large, they represent only a small fraction of the capability of the system. CP Rail has ample capacity to handle and deliver coal in any practical amount that can be developed. Alterations can and will be made to accommodate traffic as firm contracts are made.

The unit train concept is adaptable. It can be made to serve other markets for coal or to handle other commodities. Within the last month arrangements were completed with the Steel Company of Canada for movement of western coking coal to Thunder Bay at the head of the Great Lakes. From there it will go by ship to the steel plants. The volume is not very large this year, but it could become substantial in the future. Sulphur, sulphuric acid and liquid petroleum gas are all likely to move more and more in unit trains.

In line with our policy of total involvement in transportation, we have created a subsidiary, Cascade Pipe Line Limited, which plans to move coal in slurry form by pipeline. We are convinced that movement of slurries by pipeline will develop into an important transportation mode over the next decade.

Increasingly, in order to widen the markets for Canada's products we will be combining the various modes into systems that capitalize on the specific advantages of each. Thus, in some cases, movement will take place by pipeline, rail and then truck. In other cases, of which our recently inaugurated container service is an example, the movement will be by ship, rail and truck.

However, the concept of total distribution systems, which will dominate our approach to transportation in the future, goes far beyond a mere combining of the various transportation media. It is fully market-oriented. It involves consideration of the flow from source through various stages of processing and storage to the requirements at the ultimate destination. With the wide knowledge and relevant experience that exist within the Canadian Pacific organization, and with our resources of plant and equipment, we are uniquely fitted to design and operate such systems.

So far I have said little about the natural resource side of Canadian Pacific. In this area also there are grounds for optimism. The Canadian Pacific group owns or leases mineral rights in extensive areas in Western Canada. These include approximately 200,000 acres of metallurgical coal-bearing land, on which exploration and testing is continuing. To date, the recoverable reserves of low and medium volatile coals on these properties are estimated at 400 million long tons. With the formation of Fording Coal Limited a beginning has been made in the program to market and mine this coal. Cominco Ltd. is a partner in this project, bringing to it many years of experience and expertise in advanced mining technology. Fording has a contract for delivery of 45 million tons of coal to Japan over 15 years commencing in 1972. Markets in other parts of the world are being actively sought. In a world becoming increasingly concerned with pollution, it is of more than passing interest that Western Canadian coking coal has a very low sulphur content and is thus less a pollutant than many other metallurgical coals.

For the Canadian economy the marketing of Western coal means literally billions of dollars. On the transportation side alone, the movement of the coal over an all-Canadian route will have substantial economic benefits for Canadians in terms of jobs created, equipment and supplies required, and taxes paid.

Then there is oil, for which the search in the Canadian Arctic holds probably the most exciting possibilities. Through its interests in Panarctic, Canadian Pacific is a partner in active exploration there. Through the recent integration of Central-Del Rio and

Canadian Pacific Oil and Gas a stronger organization with greater capabilities has been created to carry on oil and gas exploration and development.

The forest-based group of companies in which Canadian Pacific has interests should do well in the 70's. Population growth and higher standards of living will increase world demand for pulp and paper and for wood supplies for construction of all kinds.

Finally there are the good prospects for Canadian Pacific real estate holdings. Here I would expect us to be innovators in urban redevelopment. Marathon Realty is already involved in programs for upgrading core areas in Vancouver through Project 200, in Calgary with Palliser Square, and in Toronto with Metro Centre. Over the next decade Marathon will also be putting up well designed industrial space, office buildings, shopping centres, and residential buildings in smaller cities and towns, thereby contributing to their growth in quality as well as in size.

It is clear that the years ahead will be busy ones for Canadian Pacific. I would be foolish to say, and you would be foolish to believe, that all the endeavours we embark on will be instant successes. What I will say, with conviction, is that opportunities abound which creative thinking and good hard work can transform into ventures that will prove profitable for Canadian Pacific and beneficial for Canada. We see the opportunities. We have people with ideas and drive. We have the organization through which they can function. We have modern facilities and techniques. With all these, we are justified in having high expectations for the decade of the 70's.

The President

We greatly appreciate the interest in the affairs of Canadian Pacific which your presence at this meeting today confirms.

In his remarks, the Chairman referred to expectations of a high rate of growth in the Canadian economy over the next decade. One of the important determinants of the level of economic growth is fiscal policy. Unfortunately, some of the proposals put forward by the Government in its recent White Paper on taxation are at odds with the stated goals of "economic growth and continuing prosperity" for Canada.

Also disquieting is the extent to which the White Paper provides for increases in federal taxes. By any standard taxes are already high, and the proportion of Canada's national income devoted to Government activity is among the highest of countries in the western world. The need for still higher taxes is at best questionable. The fact that they are being imposed as part of a package labelled "tax reform" does not justify them or make them less burdensome.

Along with many other tax payers Canadian Pacific is making a detailed presentation of its views on the White Paper and is urging the Government to proceed cautiously on the vital matter of tax changes. We see this as a situation in which it would be better to make renovations to the solidly built old family home, than to move into a fancy new place whose foundations the architects were not altogether sure about.

Turning now to matters of the immediate future, you will wish to know what the outlook is for earnings in 1970. At the present time I would say that we are hopeful that they will be better than in 1969. Although rail revenues showed only a minor increase in the first quarter, they would pick up quickly enough if the economy regained its momentum. They will benefit greatly from the large scale coal movement from interior British Columbia to the Coast that is just now getting under way. Another favorable factor over the short term is that wheat shipments should continue to increase throughout the second quarter as the contract with the Soviet Union for 75 million bushels is being filled. Shipments of other important commodities are also expected to be larger.

I must add however that several major industries are facing labour negotiations. These include the pulp and paper, wood, automotive and construction groups. Strikes in British Columbia are even now disrupting business there. If other strikes occur and are prolonged, our earnings would be seriously affected; they were last year by the strikes in steel and nickel-copper.

In the first quarter of the current year, total earnings, including the Company's equity in earnings retained by subsidiaries, were $12.5 million or 81 cents per Ordinary share, compared with $14.5 million, or 95 cents per share, in the first quarter of 1969. These are unaudited figures.

Railway earnings of $7.3 million for the period were $1.2 million lower. As I have mentioned, railway revenues were up only marginally, in line with the slowdown in economic activity in both the United States and Canada. Railway expenses are bearing the additional costs of wage increases provided for in various union contracts. The most important of these was the 6.5 per cent increase for non-operating employees which went into effect January 1, 1970. To help compensate for the effect of cost increases, some freight rate increases were put into effect this year. Others are planned for later in the year.

Having earned a return of only 2.6 per cent last year on railway investment, there is no margin available to absorb even part of the higher wage and material prices which we are continuing to experience.

Government payments received under the National Transportation Act will be lower this year than last. For three successive years we have been getting less compensation each year for operating uneconomical facilities and services in the national interest. This trend, with its depressing effect on net income, will no longer continue. There is every indication that as a

result of applications made to the Canadian Transport Commission the payments in future years will be at least equal to those of 1970.

The need to improve the efficiency of rail operations and achieve economies is ever pressing and is being met in numerous ways. I will mention two. For example, customer service centres replacing small station operations have been established at twelve locations from Quebec through to British Columbia. These centres provide their areas with a higher quality of service than was possible before, and they are receiving excellent acceptance by the public. When the seven applications now before the Canadian Transport Commission are approved, that number of new centres will be created, with resulting annual savings of approximately $1.3 million. The final four applications necessary to implement this program throughout the entire system will be submitted this year.

The second example is the new block grain shipping system. This has grown out of a unique cooperative effort of the Wheat Board, the grain elevator companies and the railways. Following successful testing on CP Rail's Medicine Hat Division, the system was recently put into effect in all grain producing and shipping areas in Western Canada. It provides for the programming of grain shipments in accordance with planning targets and assessment of needs developed in relation to sales. This computerized approach to grain transportation is of benefit to all who are concerned with growing, moving and selling grain. For the railways it means more efficient car utilization. Further important changes in grain handling procedures are possible and these are being studied by all the interests involved.

Earnings from telecommunications are showing a good increase. The major area of growth is the Telex system, followed closely by the Broadband Exchange Service. Sales emphasis is being put on bulk communication contracts to make the fullest use of the microwave system. The computer for message switching which was leased last year is now undergoing acceptance testing and is expected to be in service in mid-year.

In the shipping field, Canadian Pacific (Bermuda) continues to grow. It now has seven vessels in operation. A second coal carrier launched in mid-March should go into service in June. The first of the two super-tankers was launched early in April and will go into service in July. Further opportunities for participation in world-wide shipping are continuously being explored and negotiations are now under way which are expected to lead to further construction.

Container traffic is developing at a good rate. However, as this traffic in containers has increased, traffic carried in the conventional Beaver freighters has declined. The Annual Report mentioned that the Beaverash had been sold in November; since that time Beaverelm, Beaverfir and Beaverpine have been chartered for operations on other trade routes.

Trucking operations in eastern Canada had a poor first quarter. This, with the poor results of steamships other than Canadian Pacific (Bermuda), accounted for a drop in the Company's Other Income. Truck traffic was off substantially. Some of the decline was due to lower production in the automotive industry. On the Prairies, CP Transport has experienced difficulties as a result of depressed economic conditions in parts of our Western provinces. However, traffic between Eastern and Western Canada was up over last year and prospects are favorable.

Additions to the trailer and tractor fleet have been ordered to meet future traffic requirements. The bulk and heavy haulage division continues to expand and is now active in all four Western provinces as well as in the Thunder Bay area of Ontario. The major development this year for CP Express will be its undertaking of the loading, unloading and storage of containers moving in CP trainloads between the ports of Quebec City and Saint John, and Montreal and Toronto.

In common with most of the air transport industry, CP Air has been faced with a prolonged period of increasing cost levels and has been unable to effect compensating upward adjustments in revenue yields. The achievement of a satisfactory net income position has been made additionally difficult by the diversion of seasonal traffic to supplemental carriers, many of whom have been found to be operating in violation of government regulations. Until such conditions change, no significant improvement in the earnings of CP Air is foreseen.

The net income of Canadian Pacific Investments Limited in the first quarter amounted to $12.5 million, an increase of $2.5 million. This was accounted for by earnings from timberlands and real estate being higher; those of oil, gas and other mineral operations and of hotels were lower. Cominco results were better, reflecting primarily higher metal prices. Over the balance of the year earning trends of the various activities will probably continue to be mixed, with perhaps an overall bias towards modest improvement.

In summary, 1970 will not be one of our best years, but we are fairly confident that it will be better than is indicated by the first quarter results, and reasonably hopeful that it will be better than 1969. We are doing our utmost to ensure that it is. In this endeavor Canadian Pacific is fortunate in having so many knowledgeable and dedicated employees. They are our greatest strength. We are grateful for their important contribution to our enterprise.

Upon conclusion of his address the President moved, and Mr. S. M. Gossage seconded, the following resolution:

Resolved, that the Report of the affairs of the Company for the year ended December 31, 1969, now submitted, be and the same is hereby adopted.

During discussion a Shareholder was informed in reply to questions: that the Company's Pension Plan and the problem of increasing pensions for superannuated employees, the cost of which would be very great, have been under study, and extended negotiations with Federal authorities concerning application of the Pension Benefits Standards Act to the Company's Plan continue; that results achieved at Banff Springs Hotel during last winter's season were somewhat less than anticipated due principally to inadequate snowfall in the area, but prospects are that under normal weather conditions a viable winter operation can be maintained. Management was commended by other Shareholders on the results achieved, and the Chairman made appropriate acknowledgement. At conclusion of discussion, the resolution having been put to the vote, the Chairman declared that the resolution had been carried unanimously and the Report adopted.

The Chairman stated that the Company's By-laws had been amended by the enactment by the Directors of By-law No. 88 and the repeal and re-enactment by the Directors of By-law No. 91 since the last Annual General Meeting of Shareholders. At his request the Secretary then read aforementioned By-laws Nos. 88 and 91, which were subsequently submitted for approval and, on motion of Mr. Guy Drummond, seconded by Mr. J. A. Wright, the following resolution was unanimously adopted:

Resolved, that By-law No. 88 as enacted by the Directors and By-law No. 91 as repealed and re-enacted by the Directors be and are hereby approved and confirmed as by-laws of the Company.

The Meeting then proceeded to the election of six Directors for the term of four years to take the places of Directors who retire at this Meeting.

Mr. F. D. Chapman then nominated: Mr. W. J. Bennett, O.B.E., Sir George Bolton, K.C.M.G., Mr. Cyril F. H. Carson, Q.C., The Honourable J. V. Clyne, Mr. Lucien G. Rolland and Mr. A. M. Runciman.

There were no other nominations and, on motion of Mr. S. M. Finlayson, seconded by Col. I. H. Eakin, the following resolution was unanimously adopted:

Resolved, that nominations for Directors of the Company be closed and that the Secretary be hereby instructed to cast a single ballot on behalf of the Shareholders for the election of the six persons whose names have been read to this Meeting as Directors of the Company for the term of four years in place of the Directors retiring at this Meeting.

A ballot having been so cast, the Chairman declared that Mr. W. J. Bennett, O.B.E., Sir George Bolton, K.C.M.G., Mr. Cyril F. H. Carson, Q.C., The Honourable J. V. Clyne, Mr. Lucien G. Rolland and Mr. A. M. Runciman were elected Directors of the Company for the term of four years.

There being no further business, Mr. W. J. R. Paton moved and Mr. W. D. Dickie seconded the following resolution:

Resolved, that this meeting be now terminated.

The resolution having been put to the vote, the Chairman declared the Motion carried unanimously and the Meeting terminated.

N R Crump

Chairman

Thos Turner

Secretary

At a Meeting of the Board of Directors immediately after the Shareholders' Meeting, Mr. N. R. Crump was elected Chairman of the Company, Mr. Ian D. Sinclair was elected President of the Company and Chief Executive Officer, Mr. S. M. Gossage was elected Vice-President of the Company; the following were elected the Executive Committee:

Mr. N. R. Crump
Mr. Ian D. Sinclair
Mr. S. M. Gossage
Mr. W. A. Arbuckle
Mr. George W. Bourke
Mr. Herbert H. Lank
Mr. H. Greville Smith, C.B.E.

Canadian Pacific

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